Strength of housing market to fuel '87 sales

(Continued from page 18)

percent by 1984;

- In 1985, the high end rose to 24 percent from 22 percent the previous year. The advance in the high end slowed as growth in the economy moderated, mortgage rates rose during the year causing single-unit housing starts to decline, and builders were saddled with excess capacity for most of the year and cut selling prices;
- In 1986, the high end boomed to 30 percent of the total. Consumers wanted larger homes with more amenities than in the past when mortgage rates dropped in the spring after oil prices crashed.

Sales reach all-time high

New sales reached an all-time high in March because of rates. Continued strength in the Northeast economy raised the price of building lots, labor and materials. Builders in the Northeast, because of higher building costs, were forced to upgrade units to remain profitable.

Weakness in the southern market during this time put many resales on the market at sharply reduced rates, eroding the low end of the new home market. In the South, new homes costing over $120,000 rose to 19 percent of the total, from 17 percent in 1985, while the under-$60,000 homes dropped to 18 percent from 25 percent.

The high end of the new home market will remain near 30 percent in 1987 and possibly could go higher. In the first two months of this year, the over-$120,000 units accounted for 38 percent of the total; a year ago it was only 26 percent.

Housing stronger

Housing is strengthening in the Midwest where manufacturing wages are above the national average. This region was late in entering the economic expansion and the high end of the housing market will do well there over the next few years.

Manufacturing sectors are also benefitting from the fall of the dollar, which is beginning to be reflected in higher output of domestically produced goods.

However, we do not expect the high end of new home sales to remain at 38 percent for the remainder of the year. Incomes have not risen as rapidly as new home prices, which have pushed many potential buyers right out of the market.

Mortgage rates appear to be on the rise as well. [For example, the government raised the maximum rate on Veterans Administration guaranteed home mortages by a full point to 9½ percent on April 13, the first increase in two years. Several banks jacked up their 15-year, fixed rate mortgages a half percentage point around the same time.]

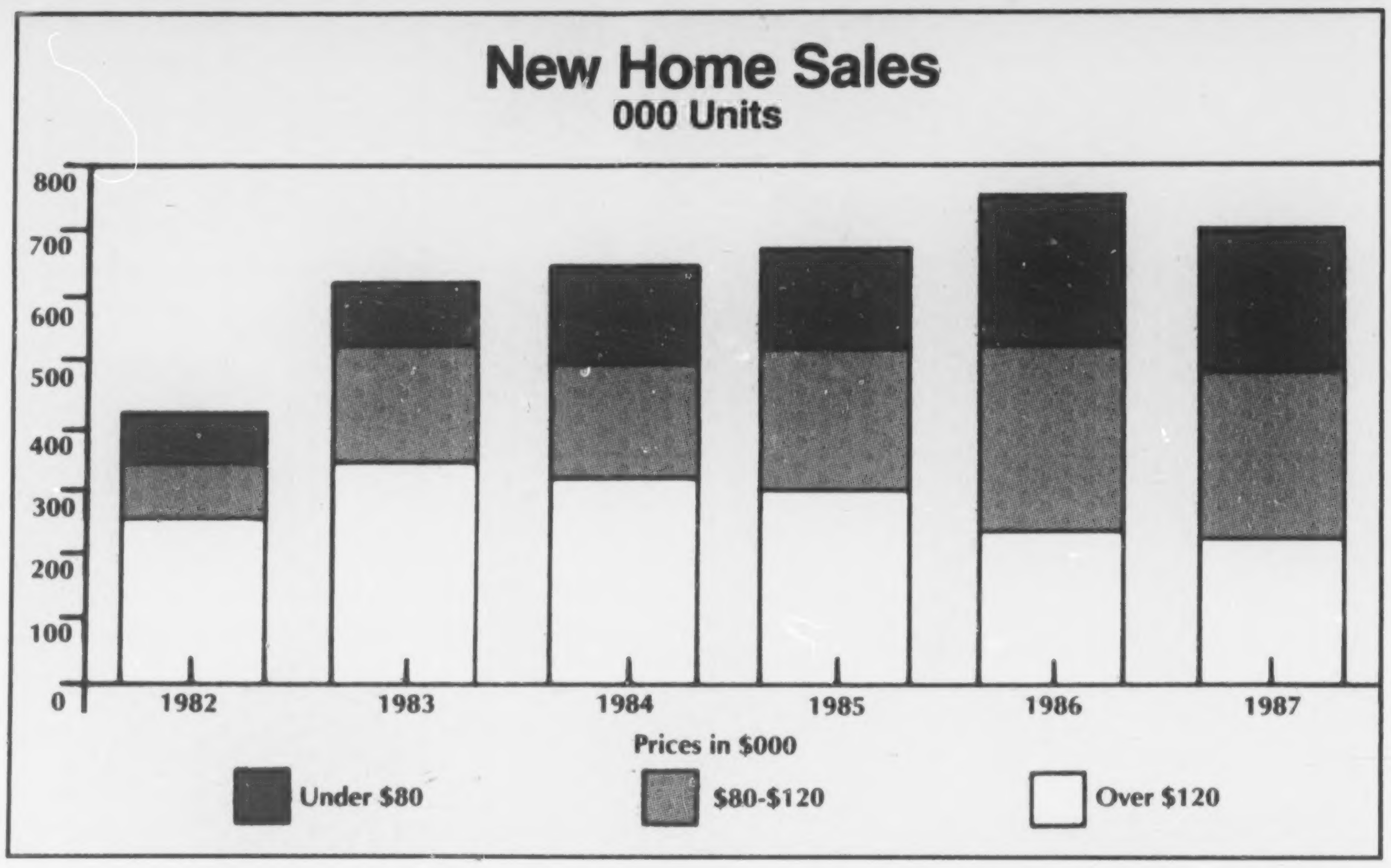
Plus, the new tax law increases the after-tax cost of housing, and the economy will be sluggish until the second half of 1987.

Sales outlook still strong

Nevertheless, continued strength in the high end of the new housing market will benefit building material sales this year.

The demand for building materials, especially of a higher grade, will be strong during the construction process, and the post-sale market develops as new homeowners make additional purchases to change their new houses into homes.

While gains in building material sales will not rise as rapidly as the 17 percent gain in 1986, the industry still faces another outstanding year.



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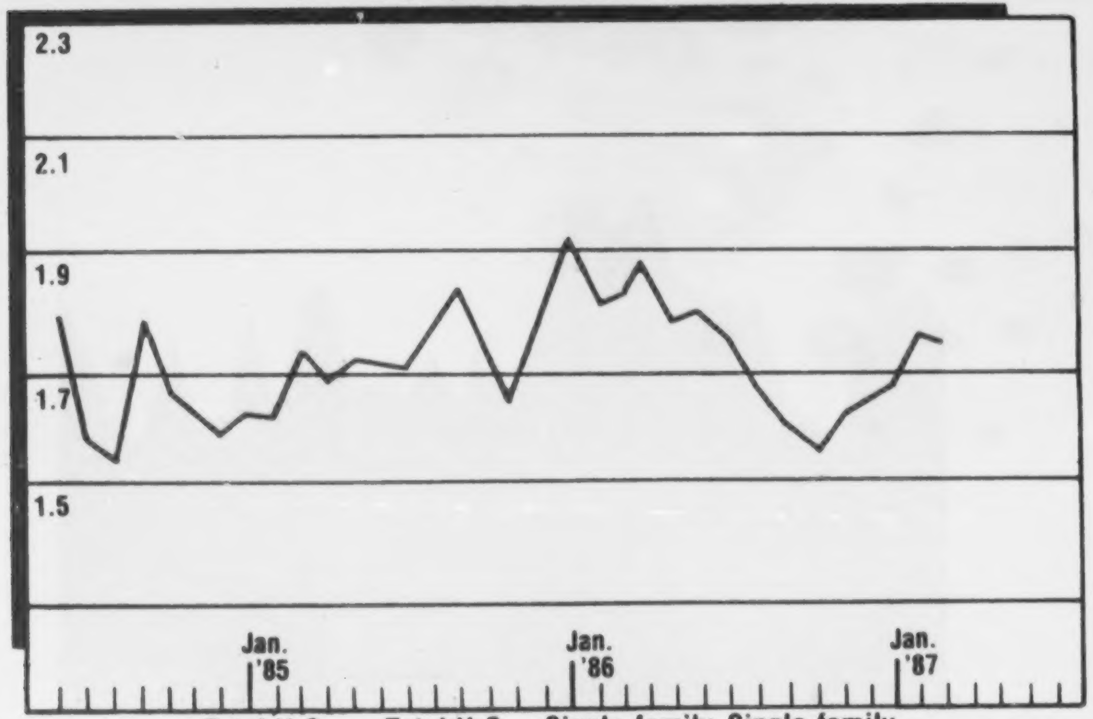
HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

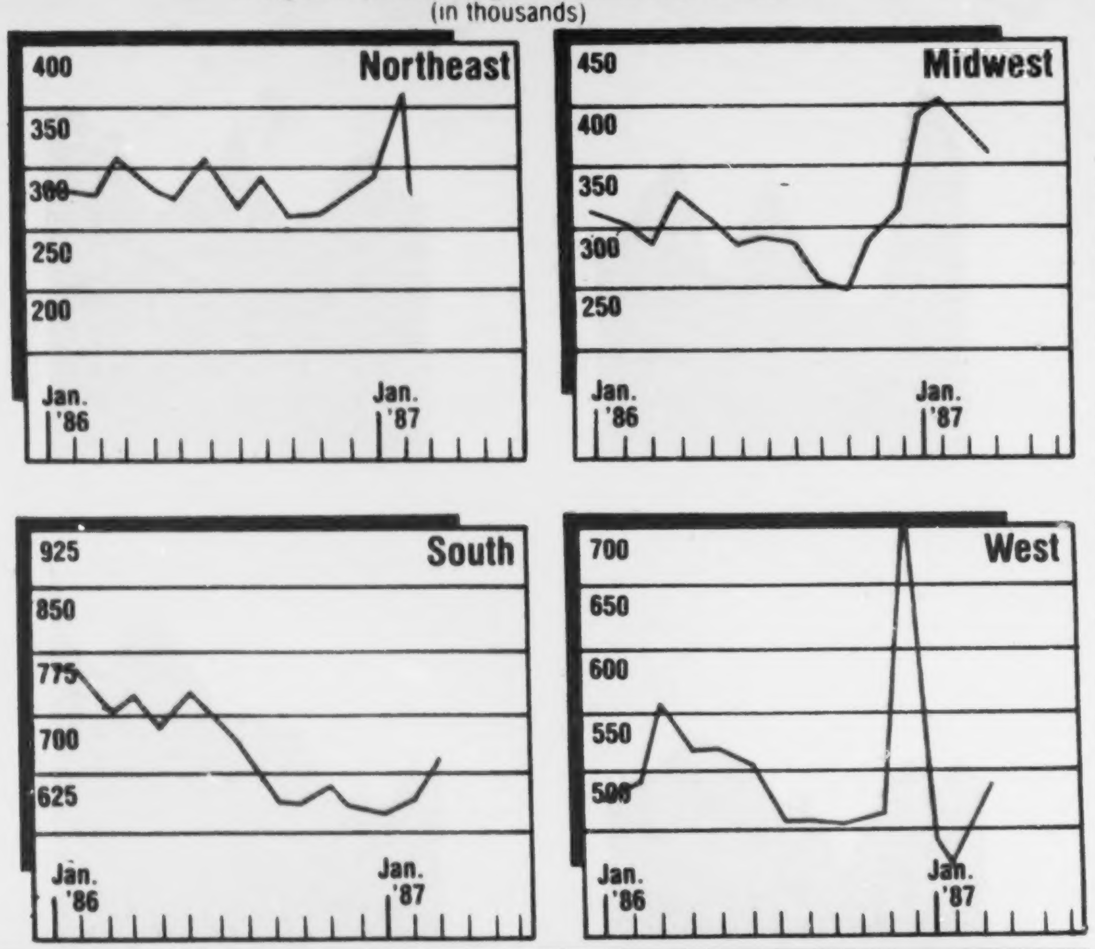


	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
Feb. '87	1,815	1,764	1,317	1,235
Jan. '87	1,804	1,690	-1,247	1,091
Feb. '86	1,923	1,808	1,183	1,033

Source: U.S. Commerce Department

Key
permits
starts

Regional housing starts and permits
(in thousands)



Cold, snow stall March house starts

By an NHCN staff editor

NATIONAL REPORT — Cold and snowy weather stalled the start of new housing construction in March by 3.2 percent below the February pace, to a seasonally adjusted annual rate of 1.774 million units, the United States Department of Commerce reported.

Single-family starts fell 4.2 percent in March, to an annualized 1.245 million units, 4.2 percent ahead of the March 1986 pace and stronger than the category's expected performance this year.

Only the Northeast posted a gain in housing starts in March to 278,000 units, seasonally adjusted, up 6.8 percent from February and 1.4 percent from last March.

Permit activity declined nationally in March but the South and West posted advances.

Housing permits dipped three-tenths of one percent to 1.757 million units, seasonally adjusted, 4.2 percent below the March 1986 pace. Single-family permits fell by 7.7 percent, to 1.132 million units, but were up 8.5 percent from last March.

Permits in the South and West advanced 6 percent and 11.4 percent, respectively.

Despite a surge in housing starts in the Northeast in March, permit activity dropped by 10.1 percent to an adjusted 319,000 units, 15.6 percent ahead of its year-earlier pace.

The South posted the largest monthly starts decline in March, falling 6.5 percent to an annualized 621,000 units, which was 18.8 percent below its March 1986 pace. Permit activity between February and March, however, rose 6 percent to 637,000 units, but was still 11.3 percent below last March.

The Midwest charted a 4.2 percent decline in starts, to 365,000 units, seasonally adjusted, but was still 13 percent ahead of last year. Permits, however, were down 12.9 percent during this same period, to 351,000 units, seasonally adjusted. But even that pace was 22.3 percent above last March.

Starts activity declined the least in the West in March, dropping 3.7 percent to 491,000 units, down 3.2 percent from last March. Permits rose 11.4 percent to 450,000 units, but were still 18.8 percent below March 1986.

Regional Housing
Feb. '87 (in thousands)

	starts	% chg.	permits	% chg.
Northeast	277	−13.2	353	+20.1
West	519	+ 8.1	405	− 7.3
South	662	+13.2	597	+ 4.7
Midwest	393	− 6.4	409	+ 5.1

n.c. = no change
Source: U.S. Commerce Department

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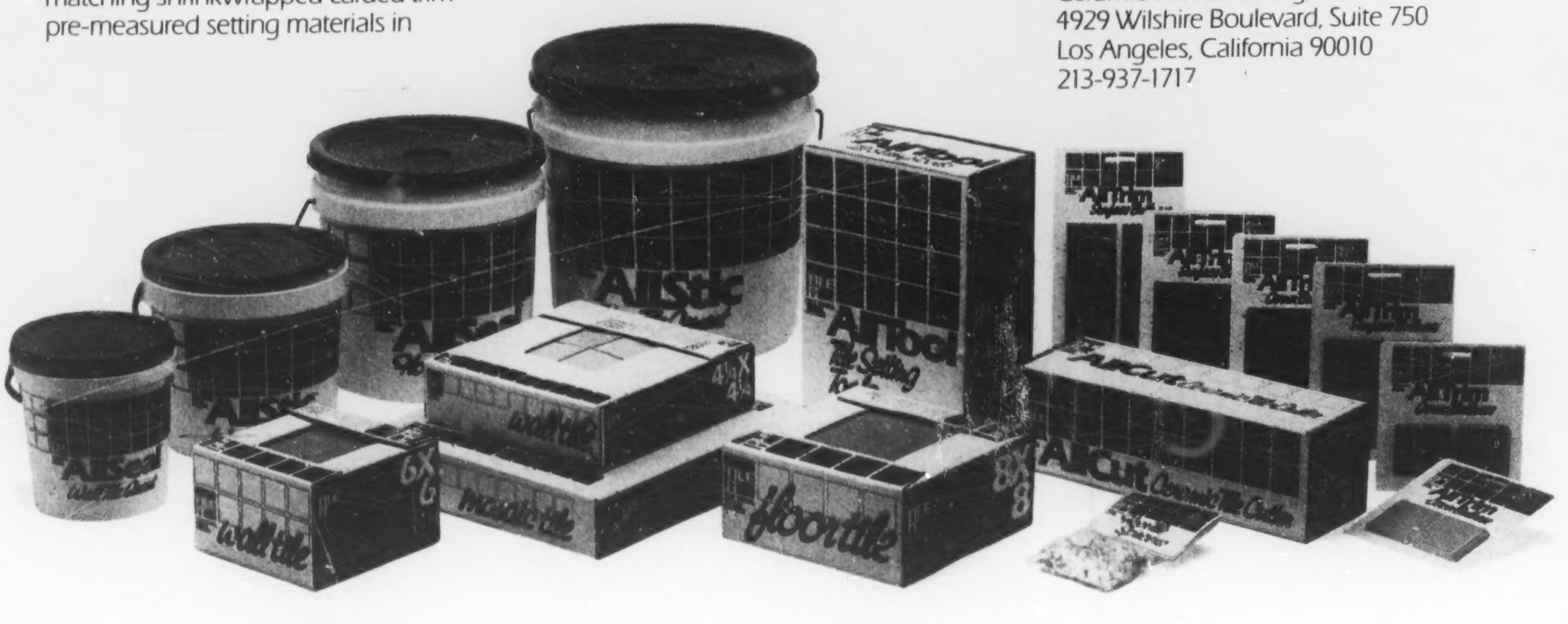

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National Home Center News • Section Two

Perspectives

The NHCN Annual Report on the Home Center Industry

Part One

Paint Thinner
good buy
Latex Caulk
GOOD LIFE
Interior Latex Wall Paint
all in one brush
America's Original Do-It-Yourself Warehouse
The Home Depot
Grossman's
Driveway Cleaner
60 FT. SPECIAL!
SUPER RADIAL BELT
60 Feet
5/8"

THE TOP 150 HOME CENTERS

17 Lanoga
18 Ernst
WASHINGTON (17)
$1,875,296
14 Pay 'N Pak
OREGON (31)
$922,787
38 Copeland Lumber Yards
72 Parr Lumber
IDAHO (42)
$427,215
44 Boise Cascade
MONTANA (44)
$404,342
WYOMING (48)
$305,203
NORTH DAKOTA (43)
$406,991
SOUTH DAKOTA (46)
$329,656
NEBRASKA (35)
$708,287
119 Builders Supply
125 Millard Lumber
CALIFORNIA (1)
$9,997,757
26 Handyman
31 National Lumber & Supply
35 Dixieline
38 Terry Companies
68 Neiman-Reed's Lumber City
75 Goodman's Lumber
79 Ganahl Lumber
124 Hayward Lumber
2 Wickes Companies
13 HomeClub
130 Sackett & Peters
125 All American Home Center
140 Champion Lumber
NEVADA (41)
$510,584
UTAH (38)
$656,632
47 Anderson Lumber
COLORADO (20)
$1,716,211
111 Crissey-Fowler Lumber
KANSAS (30)
$1,008,600
59 A.C. Houston Lumber
69 Star Lumber
ARIZONA (23)
$1,438,382
31 O'Malley's
75 Ray Lumber
113 Babbitt Brothers
NEW MEXICO (34)
$712,666
106 L&P Building Supply
144 Hacienda Home Center
135 T.H. Rogers Lumber
135 Elk Supply
OKLAHOMA (24)
$1,433,516
149 Hughes Lumber
37 Foxworth-Galbraith
16 Diamond Lumber
TEXAS (2)
$7,509,681
119 Big Tin Barn
119 Mayfield Building Supply
113 Calcasieu Lumber
113 Stripling Blake Lumber
25 McCoy's
79 M.G. Building Materials
7 Builders Square
ALASKA (39)
$633,406
117 City Mill
HAWAII (50)
$261,098
MINNESOTA (12)
$2,319,704
119 O.B. Thompson
106 Great Plains Supply
102 Lampert Yards
34 Knox Lumber
45 Lampert Lumber
106 Fullerton Lumber
100 Plywood Minnesota
48 Lyman Lumber
52 Scherer Brothers
IOWA (29)
$1,216,762
135 Spahn and Rose Lumber
MISSOURI (16)
$1,884,267
49 Westlake Ace Hardware
19 Central Hardware
43 Hill-Behan
64 Eclipse Industries
3 Payless Cashways
9 Sutherland
41 Meeks Building Centers
88 Daniels-McCray Lumber
102 Rigg's Supply
140 TAPJAC Comapany
ARKANSAS (33)
$841,886
71 National Home Center
92 E.C. Barton
LOUISIANA (19)
$1,811,675
144 Martin Home Centers
135 Stine Lumber
WISCONSIN (18)
$1,835,569
15 Menard's
68 Seigle's Home & Building Centers
29 Handy Andy
49 Alexander Lumber
130 Gee Lumber
38 Edward Hines Lumber
55 Courtesy Home Centers
140 Moser Lumber
ILLINOIS (5)
$3,618,849
45 ACO
79 National Lumber
148 Wallich Lumber
MICHIGAN (9)
$2,910,076
24 Wolohan Lumber
113 Standard Supply & Lumber
78 Church's Lumber
22 Erb Lumber
119 Braver Lumber
INDIANA (15)
$1,935,689
28 Forest City
62 Brown-Graves
23 Carter-Jones Lumber
58 Stambaugh-Thompson
64 Peter Kuntz
OHIO (7)
$3,251,940
KENTUCKY (28)
$1,271,250
135 Levy's Lumber
TENNESSEE (21)
$1,592,722
87 The Paty Company
MISSISSIPI (32)
$847,374
ALABAMA (26)
$1,305,816
93 Homecrafters Warehouse
55 Williams Brothers
4 The Home Depot
20 West Building Materials
GEORGIA (11)
$2,513,539
106 Ply-Marts
130 Builderama
130 Cofer Brothers
140 Manis Lumber
148 Lummus Supply
FLORIDA (3)
$5,162,129
11 Scotty's
30 Mr. HOW
59 Mack Industries
117 Panning Lumber
125 Babcock Building Supply
67 Cox Lumber
97 Causeway Lumber
SOUTH CAROLINA (25)
$1,351,933
55 Seacoast Building Centers
NORTH CAROLINA (8)
$2,986,589
1 Lowe's Companies
VIRGINIA (14)
$1,992,567
99 Lester Group
128 Herndon Lumber
72 Home Quarters Warehouse
98 Kempsville
WEST VIRGINIA (37)
$667,297
146 Bailey Lumber
MARYLAND (22)
$1,486,190
10 Hechinger
DELAWARE (49)
110 Masten Lumber
PENNSYLVANIA (6) $3,612,726
54 Wolf Organization
8 84 Lumber
59 Busy Beaver
33 Mr. Goodbuys
86 Lezzer Lumber
93 Fagen's
111 M.L. Claster & Sons
104 Triangle Building Centers
NJ (10)
6 Channel Home Centers
12 Rickel
91 Haddonfield Lumber
149 Szathmary Supply
NEW YORK (4)
$4,582,843
42 Strober Brothers
20 Pergament Home Centers
100 Woodbury and Sons
68 General Building Products
77 Bellevue Builders Supply
51 Valu Home Centers
64 Chase-Pitkin
93 Nassau Suffolk Lumber & Supply
84 Curtis Lumber
VERMONT
(45)
$340,854
NH
(36)
$694,703
27 Gerrity Building Centers
74 East Coast Lumber
MAINE (40)
$586,375
88 Hancock Company
5 Grossman's
63 Aubuchon Hardware
84 Mid-Cape Home Centers
104 National Hardgoods Distributors
130 Hinckley Home Centers
MA (13)
$2,312,185
RI
(47)
52 P.L. O'Connor
93 J.T.'s Home Centers
CT (27)
$1,283,859
Lloyd Home & Building Centers
79 Stevenson Lumber
88 General Building Supply
128 Fairfield Lumber

Retail sales of hardware and building materials will grow by more than 12 percent to $83 billion this year, according to Commerce Dept. estimates. Five states—California, Texas, Florida, New York and Illinois—are expected to generate more than $30 billion in sales of these products in 1987, by *Editor & Publisher* estimates. These findings correspond with the accelerated rate of expansion by many of the larger home improvement chains into these states last year, expansion that is expected to continue, albeit more moderately, over the next several months.

Total U.S. Retail Building Material, Hardware & Supply Sales 1987 Projection: $83 Billion*

*Source U.S. Department of Commerce

State Sales Projections in Millions (Rank among 50 states)†

†Source: Editor & Publisher 1987

Large companies see dramatic growth in '86

By an NHCN staff editor

NATIONAL REPORT — The bigger they were, the faster they grew.

So went the tale of the home center industry in 1986.

For the largest retailers, reshuffling of assets and reassessment of corporate strategies brought about much stronger revenue increases than in 1985.

The same cannot be said for the industry as a whole.

The numbers on *NHCN's* Top 150 chart show aggregate revenues for all companies increased 12 percent to $22.5 billion. That's not much higher than the 11 percent increase to $21 billion the top 150 firms recorded a year earlier.

When each of the companies is given equal weight in the averaging process (*i.e.*, when the percentage gains for each company are added together, then divided by the number of firms compared), the top 150 firms reported a 9 percent increase in total revenues in 1986. This lower figure suggests there was a key group of firms making sales increases more dramatic than the majority of companies.

Looking closer at the Top 150 chart, it's not difficult to find out where they were.

When results from each of the top 10 firms are given equal weight average revenue increases came to 24 percent. That's up from a comparable 13 percent experienced by the previous year's top 10.

Even when revenues of the top 10 firms are taken as an aggregate they increased by 19 percent. In 1985, the top 10 aggregate revenues increased only 11 percent.

As for the top 25 firms, the average company increase was 19 percent, or 13 percent when revenues are combined.

From there on down, company performance was less aggressive.

Total revenues for firms ranking 51st through 100th increased only 6 percent to $2.8 billion. As for 101st to 150th ranked companies, total revenues were flat at $1.5 billion.

The big tides created by the largest firms, then, might tend to mask the fact that much of the mid- and lower-level revenue makers in the industry saw slow growth or no growth in 1986.

That's surprising, given figures from the U.S. Department of Commerce, which estimate building materials and hardware sales reached $74 billion in 1986, up by 14 percent over the $64.9 billion of the previous year. Commerce estimates that sales from these products should grow 12.2 percent this year to $83 billion.

Clearly, a greater share of the building materials pie is going to the big hitters.

For 1987, the growing dominance of larger chains could help accelerate the merger and acquisition activity so common last year.

While revenues at smaller companies were flat, the total volume generated by such firms was not sufficient to alter dramatically the portion of total national revenues they comprised.

The top 150 companies were responsible for 30 percent of the nation's retail sales of building materials and hardware last year. That's down just one percentage point from the previous year.

As for the top 10 companies, they accounted for 14 percent of national sales in the product categories. While the largest companies are gradually accounting for more of the total building materials market, that growth has not been dramatic enough to alter the percentage more than a fraction.

Consumer transactions made up 53 percent of all sales rung up at the top 150 chains, a figure even with 1985.

However, the larger firms appeared to have renewed their efforts to attract more contractor sales, and the DIY-builder sales ratio shifted last year for these companies.

The consumer share of the sales pie for the top 10 companies dropped two percentage points to 77 percent in 1986.

Top 10 industry chains post 24% revenue gain to total $10.7 billion

By an NHCN staff editor

NATIONAL REPORT — For the home center industry's top 10 chains, 1986 represented a year of recovery from a troubling 1985.

Figures culled from *NHCN's* Top 150 chart reveal a much stronger upper tier of companies.

Of the top 10 firms, not a single company reported a drop in revenues in 1986. In contrast, both 84 Lumber and Evans Products reported revenue drops in 1985.

When each of the top 10 firms are given equal weight, the rise in revenues in 1986 was 24 percent to $10.7 billion.

That compares with a 13 percent increase to $9.9 billion for the chains making up the top 10 a year earlier.

And when the total revenues of the top 10 chains are added together and compared with a similar total last year—a method of assessing the performance of the companies as a group rather than as individual entities—the rise was 19 percent. That's up considerably from the 11 percent clocked for the chains in the previous year's group.

The improvements can be attributed to a combination of reshuffling of the players in the field and a reassessment of company strategies.

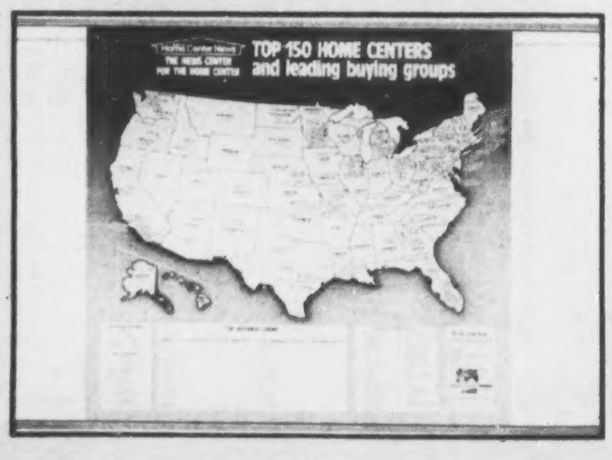
Two firms whose results dampened the top 10 results—W.R. Grace and Evans Products—dropped from the top 10 list entirely. Builders Square—a fast growing warehouse chain—entered the top 10 ranks for the first time while Scotty's, a slower growth company, dropped out.

84 Lumber rebounded from 1985's 13 percent drop in revenues to report a five percent increase.

Staying in the top 10 level of the industry takes, it appears, a commitment to home center retailing as a "pure play."

Two firms that devote all of their efforts to home center retailing—Channel and Grossman's—replaced Grace and Evans, the two conglomerates that departed the industry.

A more comprehensive version of the map of the Top 150 home center chains on pp. 28-29 is available from NHCN for $25. Additional information includes each chain's sales, store count, average square footage, and DIY sales percentage, headquarters address and phone number. Also on the map is a ranking, by sales, of the top wholesale buying groups; and a calendar of the industry events Requests for the map should be made to the Publisher, National Home Center News, 425 Park Ave., New York, N.Y. 10022. 212-371-9400.



Industry wrings more sales out of units, expands with caution

By an NHCN staff editor

NATIONAL REPORT — Wring more sales out of existing stores. And be more cautious about expansion in the future.

Those are two prevailing business philosophies in the home center industry last year, judging from some of the numbers on this year's Top 150 chart.

The top 10 chains increased their total store counts by 12.7 percent last year, to 2,028. But they increased their total revenues by a much heftier 19.3 percent, to $10.7 billion.

The top 10 chains in the home center industry increased their total store counts by 12.7 percent last year, to 2,028. But they increased their total revenues by a much heftier 19.3 percent, to $10.7 billion.

Some of the numbers from the individual companies reflect the larger trend.

Lowe's achieved sales of $7.6 million per store, up from $7.3 million in 1985.

Payless Cashways' comparable figures were $8.4 million in 1986 and $8.2 million the year before.

Looking at the larger picture, a pattern of increased store productivity again emerges. The top 150 home center companies increased their total store counts last year by 4.7 percent, to 4,739 units.

But their total revenues went up 12.4 percent, to $22.5 billion.

All this fits into a historical picture of long-range attempt to bolster productivity in the marketplace.

The top 10 companies achieved an aggregate of $7 million per store last year.

That's up from $6.4 million per store those same chains achieved in 1985.

In 1984, the top 10 chains achieved $4.4 million per store, up from $3.8 million per store the previous year.

As for the cautious look to the future, numbers gathered for *NHCN's* Top 150 chart show that the top 150 chains expect to be operating a total of 4,736 stores by the end of this year.

That's slightly down from the 4,739 units they ran at the end of 1986.

Even the top 10 companies seem to be cutting back, as far as their plans for rolling out units.

By the end of this year they expect to be operating a total of 2,111 stores, up 4.1 percent over the number they operated at the end of 1986.

That's considerably off the 12.7 percent increase they registered for 1986.

Top Chains Bolster Productivity

Rank	Company	Total Sales Per Employee ($)	Total Sales Per Store (mil. $)	DIY Sales Per Sq. Ft. ($)
1	Lowe's	154,465	7.6	279
2	Wickes Cos.	99,625	4.0	268
3	Payless Cashways	111,655	8.4	271
4	The Home Depot	153,182	16.9	179
5	Grossman's	134,267	3.7	99
6	Channel Home Centers	76,316	3.6	66
7	Builders Square	70,000	8.0	65
8	84 Lumber	243,929	1.8	110
9	Sutherland	201,667	6.3	315
10	Hechinger	66,818	9.6	161
11	Scotty's	84,500	3.9	63
12	Rickel	78,491	9.2	168
13	HomeClub	91,111	14.6	146
14	Pay 'N Pak	185,116	3.7	133
15	Menard's	115,152	11.2	136
16	Diamond Lumber	187,778	3.9	131
17	Lanoga	173,398	2.4	170
18	Ernst Home Centers	103,333	4.2	112
19	Central Hardware	87,097	7.7	140
20	Pergament	96,296	6.2	138
21	West Building Materials	94,545	4.1	135
22	Erb Lumber	187,500	5.9	269
23	Carter-Jones Lumber	105,000	1.4	99
24	Wolohan Lumber	253,595	5.0	115
25	McCoy's	191,000	2.7	124

Home center sales per store ranged from $1.4 million to $16.9 million in 1986.

Volatile period spurs year of home center realignment

(Continued from page 1)

A broad glimpse of the industry showed the following developments:

- More than 400 stores changed ownership at some point in 1986;
- Several well-known manufacturers were either weakened or strengthened by takeovers and takeover attempts, and;
- The consolidation that marked retailing in years past spread to the hardware and building product distributors.

For instance, last year's business tone was set when two hardware wholesale co-ops—Our Own Hardware and Gambles, both of Minneapolis—merged to provide a better offensive front in the competitive farm economy of the Midwest.

In the closely watched saga of the W.R. Grace divestitures, two new companies emerged and Wickes grew by 108 units.

Grace's divestiture of its 317-unit home center empire marked the single largest ownership change in the industry in 1986 and heralded the creation of Home Quarters Warehouse and Channel Home Centers Inc., a merger of Grace Central Region and Channel, as two independent and privately held companies.

As reported in this paper and other national publications through most of 1986, Grace needed more than $600 million to buy back one-quarter of its common shares that were being sold off by the West German Flick Group.

Along with Grace, other well-known players such as Mr. HOW and Forest City also bid farewell to the industry.

Service Merchandise pulled the plug on its Mr. HOW warehouse subsidiary, ending the 27-unit, four-year-old chain's bumpy tenure in the industry. Its stores were later bought by Handy Andy, Central Hardware and Builders Square.

Big boys get bigger

But others, like Wickes, Builders Square and Payless Cashways, continued their relentless path for expansion by either opening stores or buying companies.

In one of the larger acquisitions last year, Wickes bought Grace West's 108 stores for $180 million in the spring and earlier had purchased the 9-unit Kindt for an undisclosed sum. Wickes was also pursuing manufacturers by going after Owens-Corning Fiberglas and National Gypsum.

Both quests proved unsuccessful (Wickes eventually settled on buying Collins & Aikman Corp.), but the process left Owens-Corning a different company. In a defensive move against Wickes' takeover, O-C literally cannibalized itself, selling off most of its divisions with the exception of its fiberglas insulation and roofing products.

Armstrong was one of the winners in the O-C spinoffs, buying the latter's ceiling division.

Payless Cashways also plowed ahead to acquire companies that could enhance the firm's performance. So it was that in the fall Payless paid $24 million in acquiring Knox Lumber, the 10-unit retailer in St. Paul, Minn.

Besides acquiring six Mr. HOW units, Handy Andy, based in Gurnee, Ill., purchased the 18-unit Forest City chain in early 1987, giving it immediate penetration into Cleveland and Detroit.

> Grace's divestiture of its 317-unit home center empire marked the single largest ownership change in 1986.

Erb Lumber, Birmingham, Mich., was also on the trail of acquisitions in 1986. In June, Erb bought the 21-unit Peter Kuntz chain, of Dayton, Ohio, for $22 million.

Manufacturers targeted

Company swapping wasn't reserved to retailers, however, as the ownership of several major producers switched hands last year.

In September, the Cleveland-based Glidden Company, one of the country's largest paint makers, was purchased by the British firm, Imperial Chemical Industries PLC, for $580 million.

Some other manufacturer developments included:

- Masco Corporation, the Taylor, Mich., firm whose companies include Peerless Faucets, Weiser Lock, Merillat Cabinets, and the Plumb Shop, bought six companies over a four-day span this January. The firms added around $80 million in sales to Masco's total volume;
- General Felt paid $290 million for Color Tile late in the year;
- Nortek bought the Dixieline Lumber chain in San Diego, and, earlier this year, made a stab at acquiring Stanline, a California-based wholesaler;
- Stanley Works bought the Bostitch division of Textron Inc., for $193 million. Bostitch makes fasteners and fastening tools for professionals. Throughout 1986, Stanley acquired eight firms, and ended the year with the $80 million purchase of National Tool.

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The NHCN Top 150 Total Sales

Rank '86	Rank '85	Company	Total Sales (Mil $)			% DIY		Number of Stores			Showroom (000) Sq Ft		Sku's		Employees '86 #
			1986	1985	% Chg.	1986	1985	1986	1985	'87 proj.	Store avg.	Chain total	Store avg	Total	
1	1	**Lowe's Cos.,** North Wilkesboro, N.C.	2,283	2,072	10	55	52	300	282	318	15	4,500	15,000	26,000	14,780
2	4	**Wickes Cos.,** Santa Monica, Calif.[1]	1,594	1,152	38	60	60	397	275	397	9	3,573	10,000	10,000	16,000
3	3	**Payless Cashways,** Kansas City, Mo.[2]	1,528	1,390	10	90	91	181	169	193	28	5,068	13,500	15,000	13,685
4	6	**The Home Depot,** Atlanta	1,011	701	44	85	85	60	50	76	80	4,800	25,000	25,000	6,600
5	NL	**Grossman's,** Braintree, Mass.[3]	1,007	875	15	80	81	272	276	274	30	8,160	12,000	20,000	7,500
6	NL	**Channel Home Centers,** Whippany, N.J.[4]	725	725	0	75	100	201	204	175	41	8,241	22,000	25,000	9,500
7	12	**Builders Square,** San Antonio, Texas	700	365	92	65	65	87	30	122	80	6,960	24,000	24,000	10,000
8	7	**84 Lumber,** Eighty-Four, Pa.	683	652	5	60	60	373	375	383	10	3,730	7,500	7,500	2,800
9	8	**Sutherland,** Kansas City, Mo.	605	578	5	100	100	96	85	98	20	1,920	10,000	12,000	3,000
10	9	**Hechinger,** Landover, Md.	588	479	23	100	100	61	54	75	60	3,660	40,000	40,000	8,800
11	10	**Scotty's,** Winter Haven, Fla.[5]	507	473	7	65	65	131	124	145	40	5,240	15,000	15,000	6,000
12	11	**Rickel,** South Plainfield, N.J.	416	385	8	100	100	45	42	51	55	2,475	30,000	40,000	5,300
13	19	**HomeClub,** Fullerton, Calif.	410	250	64	100	100	28	18	35	100	2,800	12,500	12,500	4,500
14	15	**Pay 'N Pak,** Kent, Wash.	398	333	20	100	100	107	106	108	28	2,996	15,000	15,000	2,150
15	13	**Menard's,** Eau Claire, Wis.	380	350	9	85	85	34	31	35	70	2,380	45,000	50,000	3,300
16	16	**Diamond Lumber,** Sacramento	338	326	4	20	20	86	96	70	6	516	14,000	14,000	1,800
17	14	**Lanoga,** Seattle	322	335	(4)	50	50	135	140	NA	7	945	17,500	17,500	1,857
18	18	**Ernst Home Centers,** Seattle	310	260	19	100	100	73	73	75	38	2,774	25,000	25,000	3,000
19	17	**Central Hardware,** Bridgeton, Mo.	270	270	0	100	100	35	31	35	55	1,925	27,000	40,000	3,100
20	23	**Pergament Home Centers,** Melville, N.Y.	260	200	30	100	100	42	40	47	45	1,890	30,000	30,000	2,700
—	19	**West Building Materials,** Atlanta	260	250	4	50	50	64	64	64	15	960	18,000	20,000	2,750
22	26	**Erb Lumber,** Birmingham, Mich.	249	190	31	50	50	42	26	44	11	462	10,000	10,500	1,328
23	23	**Carter-Jones Lumber,** Kent, Ohio	210	200	5	55	55	146	146	146	8	1,168	8,000	8,000	2,000
24	30	**Wolohan Lumber,** Saginaw, Mich.	194	151	28	53	57	39	34	42	23	897	7,000	14,000	765
25	25	**McCoy's,** San Marcos, Texas	191	193	(1)	70	80	72	65	80	15	1,080	8,000	8,000	1,000
26	22	**Handyman,** San Diego, Calif.[6]	178	228	(22)	100	100	53	53	0	40	2,120	25,000	25,000	3,500
27	29	**Gerrity Building Centers,** Meredith, N.H.	171	159	8	10	7	16	16	17	12	192	9,000	12,000	765
28	28	**Forest City,** Cleveland[7]	160	160	0	100	100	18	18	18	65	1,170	30,000	30,000	2,400
29	37	**Handy Andy,** Gurnee, Ill.[8]	150	106	42	98	98	24	16	45	62	1,488	25,000	30,000	2,000
30	19	**Mr. HOW Warehouse,** Margate, Fla.[9]	147	250	(41)	95	95	0	27	0	75	0	30,000	30,000	0
31	32	**National Lumber,** Fountain Valley, Calif.	135	135	0	100	100	18	19	20	60	1,080	24,000	24,000	1,500
—	34	**O'Malley's,** Phoenix	135	120	13	30	30	16	16	16	25	400	20,000	20,000	600
33	40	**Mr. Goodbuys,** Philadelphia	125	75	67	95	95	12	8	15	70	840	35,000	35,000	1,700
34	35	**Knox Lumber,** St. Paul, Minn.[10]	124	118	5	95	95	10	10	11	22	220	22,000	22,000	800
35	NL	**Dixieline,** San Diego, Calif.[11]	105	102	3	40	40	5	5	10	18	90	25,000	25,000	650
—	38	**Lloyd Home & Building Ctrs.,** Danbury, Conn.	105	95	11	70	68	34	35	37	12	408	12,000	13,000	1,000
37	36	**Foxworth-Galbraith,** Dallas	101	111	(9)	45	40	53	53	53	12	636	12,000	12,000	1,450
38	44	**Copeland Lumber Yards,** Portland, Ore.	100	85	18	40	52	75	80	80	5	375	6,000	6,000	600
—	40	**Edward Hines Lumber,** Chicago	100	90	11	40	40	24	26	24	9	216	8,000	9,000	800
—	46	**Terry Companies,** Tarzana, Calif.	100	80	25	10	10	13	12	13	6	78	10,000	10,000	455
41	45	**Meeks Building Centers,** Springfield, Mo.	94	83	13	40	40	23	22	25	15	345	20,000	20,000	450
42	40	**Strober Brothers,** Brooklyn, N.Y.	93	78	19	5	5	9	8	9	15	135	12,000	12,000	300
43	39	**Hill-Behan Lumber,** St. Louis.	92	91	1	49	49	34	34	34	12	408	13,000	13,000	850
44	33	**Boise Cascade,** Boise, Idaho	90	130	(31)	20	20	18	26	18	10	180	10,000	35,000	1,060
—	NL	**Lindsley,** Miami Lake, Fla.[12]	90	105	(14)	100	100	20	43	20	27	540	15,000	15,000	700
46	NL	**ACO,** Farmington Hills, Mich.	85	80	6	85	85	48	42	48	15	720	20,000	25,000	1,100
—	47	**Lampert Lumber,** St. Paul, Minn.	85	77	10	65	70	45	46	45	9	405	6,000	25,000	650
48	43	**Anderson Lumber,** Ogden, Utah	84	80	5	30	30	23	23	23	6	138	15,000	15,000	550
49	50	**Lyman Lumber,** Excelsior, Minn.	82	67	22	3	3	4	5	4	10	40	8,000	10,000	400
50	51	**Alexander Lumber,** Aurora, Ill.	80	65	23	25	20	53	53	53	5	265	10,000	10,000	350
—	49	**Westlake Ace Hardware,** Moberly, Mo.	80	70	14	91	91	38	33	45	22	836	21,000	21,000	700
52	51	**Valu Home Centers,** Buffalo, N.Y.	76	65	17	100	100	25	22	25	27	675	13,000	16,000	590
53	87	**P.F. O'Connor,** Providence, R.I.	74	71	4	65	49	9	10	10	17	153	10,000	10,000	400
—	69	**Scherer Brothers,** Minneapolis, Minn.	74	50	48	10	10	3	2	3	3	9	8,000	10,000	275
55	58	**Wolf Organization,** York, Pa.	72	60	20	35	33	26	24	29	3	78	4,000	9,000	130
56	58	**Courtesy Home Centers,** Mt. Prospect, Ill.	70	60	17	100	100	6	5	6	50	300	35,000	35,000	910
—	48	**Seacoast Building Centers,** Conway, S.C.	70	75	(7)	25	20	11	12	12	15	165	12,000	18,000	400
—	56	**Williams Brothers,** Atlanta	70	62	13	30	32	9	9	9	12	108	13,000	13,000	425
59	57	**Stambaugh-Thompson,** Youngstown, Ohio	69	61	13	100	100	20	20	22	28	560	21,000	21,000	750
60	58	**A.C. Houston Lumber,** Wichita, Kan.	65	60	8	25	30	11	11	11	10	110	12,000	19,500	400
—	58	**Busy Beaver,** Pittsburgh	65	60	8	95	95	11	11	14	30	330	13,000	14,000	350
—	51	**Mack Industries,** Hollywood, Fla.	65	65	0	20	20	4	4	4	20	80	9,000	11,000	530
63	54	**Brown-Graves,** Akron, Ohio	64	64	0	20	20	5	5	5	12	60	10,000	10,000	350
64	NL	**Aubuchon Hardware,** Westminster, Mass.	62	54	15	100	100	132	132	139	4	528	8,500	8,500	853
65	58	**Chase-Pitkin,** Rochester, N.Y.	60	60	0	93	93	11	11	11	40	440	30,000	30,000	750
—	74	**Eclipse Industries,** St. Louis	60	48	26	95	97	9	9	11	50	450	20,000	25,000	350
—	67	**Peter Kuntz,** Dayton, Ohio[13]	60	57	5	50	50	21	21	0	20	420	15,000	20,000	375
68	66	**Cox Lumber,** St. Petersburg, Fla.	58	57	2	22	19	13	13	13	15	195	8,000	10,000	520
69	76	**General Building Products,** Medford, N.Y.	57	44	30	38	42	4	4	5	25	100	13,000	15,000	260

The NHCN Top 150 Total Sales

Rank '86	Rank '85	Company	Total Sales (Mil $)			% DIY		Number of Stores			Showroom (000) Sq Ft		Sku's		Employees '86 #
			1986	1985	% Chg.	1986	1985	1986	1985	'87 proj.	Store avg.	Chain total	Store avg.	Total	
—	54	**Neiman-Reed's Lumber City,** Van Nuys, Calif.	57	64	(11)	95	91	10	12	11	34	340	22,000	22,000	560
—	82	**Seigle's Home & Building Centers**, Elgin, Ill.	57	42	36	35	31	6	5	6	27	162	21,000	24,500	383
72	73	**National Home Center,** Springdale, Ark.	56	49	14	50	41	4	4	5	42	168	19,000	22,000	425
73	NL	**Home Quarters Warehouse,** Virginia Beach, Va.[14]	55	50	10	100	100	4	3	7	80	320	25,000	25,000	550
—	68	**Parr Lumber,** Aloha, Ore.	55	53	4	16	19	9	9	9	4	36	15,000	15,000	230
75	93	**East Coast Lumber,** East Hamptstead, N.H.	53	37	43	20	16	3	2	3	30	90	6,000	6,000	230
76	75	**Goodman's Lumber,** San Francisco	51	47	9	100	100	4	4	4	50	200	15,000	25,000	220
—	58	**Ray Lumber,** Phoenix, Arizona	51	53	(4)	2	2	3	3	3	5	15	12,500	12,500	345
78	76	**Bellevue Builders Supply,** Schenectady, N.Y.	50	44	14	34	34	1	1	1	22	22	15,000	15,000	220
79	69	**Church's Lumber,** Utica, Mich.	50	50	0	75	76	15	15	16	20	300	12,500	15,000	350
80	82	**Ganahl Lumber,** Anaheim, Calif.	50	42	19	15	17	3	4	3	9	27	14,000	20,000	300
—	65	**M.G. Building Materials,** San Antonio, Texas	50	58	(14)	50	48	4	4	4	10	40	12,000	12,000	100
—	69	**National Lumber,** Warren, Mich.	50	50	0	2	2	1	1	1	20	20	7,000	7,000	150
—	69	**Star Lumber,** Wichita, Kan.	50	50	0	50	50	3	3	3	30	90	28,000	28,000	400
—	88	**Stevenson Lumber,** Stevenson, Conn.	50	40	25	10	13	1	1	2	4	4	7,000	7,000	155
85	91	**Curtis Lumber,** Ballston Spa, N.Y.	49	39	25	40	41	7	6	8	14	98	9,500	9,500	220
—	76	**Mid-Cape Home Centers,** Orleans, Mass.	49	44	11	25	25	8	8	8	10	80	17,000	20,000	252
87	97	**Lezzer Lumber,** Curwensville, Pa.	48	35	37	50	49	6	6	6	18	108	14,000	14,000	150
88	82	**The Paty Co.,** Piney Flats, Tenn.	46	42	10	55	55	6	6	6	20	120	13,000	13,000	400
89	92	**Daniels-McCray Lumber,** Kansas City, Mo.	45	38	18	2	5	3	3	3	3	9	9,000	9,000	160
—	97	**General Building Supply,** East Hartford, Conn.	45	35	29	25	25	2	1	2	8	16	12,000	15,000	115
—	97	**Hancock Co.,** Casco, Me.	45	35	29	46	46	8	6	8	4	32	11,000	15,000	140
92	108	**Haddonfield Lumber,** Haddonfield, N.J.	43	33	30	8	12	6	4	6	3	18	8,000	8,000	140
93	88	**E.C. Barton,** Jonesboro, Ark.	42	40	5	25	20	27	27	27	5	135	10,000	10,000	350
94	109	**Fagen's,** Verona, Pa.	42	36	17	35	34	12	13	12	10	120	8,000	10,000	200
—	27	**Homecrafters Warehouse,** Birmingham, Ala.[15]	42	184	(77)	65	65	0	28	0	11	0	14,500	28,000	0
—	97	**J.T.'s Home Centers,** Middletown, R.I.	42	35	20	35	34	5	4	5	17	85	20,000	30,000	310
—	139	**Nassau Suffolk Lumber,** Hauppauge, N.Y.	42	32	31	30	30	6	6	6	15	90	10,000	12,000	200
98	80	**Causeway Lumber,** Ft. Lauderdale, Fla.	41	43	(5)	12	12	3	3	3	5	15	8,000	8,000	300
99	97	**Kempsville,** Virginia Beach, Va.	40	38	5	22	11	1	1	1	12	12	13,250	13,250	178
100	NL	**Lester Group,** Martinsville, Va.	39	21	86	30	35	5	2	5	13	65	15,000	18,000	400
101	95	**Plywood Minnesota,** Minneapolis	38	36	6	95	61	11	10	12	35	385	5,000	5,000	300
—	110	**Woodbury and Sons,** Glens Falls, N.Y.	38	31	23	43	43	8	8	9	8	64	12,000	14,500	250
103	97	**Lampert Yards,** St. Paul, Minn.	37	35	6	46	46	29	29	29	4	116	35,000	45,000	290
—	97	**Rigg's Supply,** Kennett, Mo.	37	35	6	75	86	8	7	9	50	400	50,000	50,000	160
105	NL	**National Hardgoods Dist.,** Stoughton, Mass.	36	34	6	100	100	27	21	33	16	432	27,500	28,000	472
—	110	**Triangle Building Centers,** Quakertown, Pa.	36	29	24	76	80	4	4	7	40	160	22,875	24,500	240
107	88	**Fullerton Lumber,** Minneapolis, Minn.	35	40	(13)	40	40	34	38	34	13	442	12,000	12,000	400
—	58	**Great Plains Supply,** St. Paul, Minn.	35	40	(13)	30	30	35	42	35	4	140	8,000	12,000	260
—	97	**L&P Building Supply,** Albuquerque, N.M.	35	35	0	20	20	7	7	7	8	56	8,000	8,000	155
—	93	**Ply-Marts,** Norcross, Ga.	35	37	(5)	11	11	3	4	3	6	18	2,000	2,000	175
111	110	**Masten Lumber,** Milford, Del.	34	27	26	27	23	7	7	7	11	77	15,000	15,000	300
112	107	**Crissey-Fowler Lumber,** Colorado Springs, Colo.	33	34	(3)	15	15	1	1	1	23	23	20,000	20,000	120
—	97	**M.L. Claster & Sons,** Bellefonte, Pa.	33	31	6	55	49	11	12	11	8	88	7,000	7,000	235
114	110	**Babbitt Brothers,** Flagstaff, Ariz.	32	30	7	40	40	6	6	6	10	60	10,000	12,000	135
—	82	**Calcasieu Lumber,** Austin, Texas	32	42	(24)	2	2	1	1	1	10	10	13,000	13,000	100
—	110	**Standard Supply & Lumber,** Grand Rapids, Mich.	32	30	7	25	25	11	9	11	5	55	12,500	15,000	155
—	76	**Stripling Blake Lumber,** Austin, Texas	32	44	(27)	20	20	2	1	2	30	60	35,000	35,000	200
118	97	**City Mill,** Honolulu	31	35	(11)	91	91	5	5	5	45	225	21,000	21,000	350
—	110	**Panning Lumber,** Orlando, Fla.	31	30	3	8	10	7	7	7	5	35	12,000	12,000	250
120	82	**Big Tin Barn,** Diboll, Texas	30	42	(29)	15	14	6	6	5	20	120	10,000	10,000	120
—	110	**Braver Lumber,** Detroit	30	30	0	87	87	11	11	11	8	88	8,000	12,000	250
—	110	**Builders Supply,** Omaha, Neb.	30	30	0	13	13	1	1	1	20	20	20,000	20,000	200
—	95	**Mayfield Building Supply,** Arlington, Texas	30	36	(17)	0	0	1	1	2	3	3	5,000	5,000	175
—	110	**O. B. Thompson,** Hopkins, Minn.	30	30	0	83	83	8	8	8	10	80	22,000	23,000	400
125	121	**Hayward Lumber,** Salinas, Calif.	29	29	0	33	34	7	7	7	12	84	14,000	20,000	222
126	126	**All American Home Center,** Downey, Calif.	28	26	8	100	100	1	1	1	173	173	85,000	85,000	265
—	122	**Babcock Building Supply,** Melbourne, Fla.	28	28	0	50	50	8	8	8	40	320	30,000	30,000	300
—	126	**Millard Lumber,** Omaha	28	28	0	31	31	2	2	2	18	36	25,000	29,000	190
129	126	**Fairfield Lumber,** Fairfield, Conn.	27	23	17	12	12	1	1	1	40	40	15,000	15,000	150
—	122	**Herndon Lumber,** Gainesville, Va.	27	28	(4)	1	7	1	1	1	5	5	5,000	5,000	210
131	133	**Builderama,** Savannah, Ga.	26	23	13	78	83	7	6	8	30	210	18,500	19,000	325

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			1986	1985	% Chg.	1986	1985	1986	1985	'87 proj.	Store avg.	Chain total	Store avg.	Total	
—	124	**Cofer Brothers,** Atlanta	26	27	(4)	11	11	1	1	1	28	28	10,000	10,000	75
—	129	**Gee Lumber,** Chicago	26	25	4	80	80	15	13	11	25	375	35,000	35,000	450
—	NL	**Hinckley Home Centers,** Hyannis, Mass.	26	21	24	35	35	3	3	4	7	21	24,000	72,000	150
—	129	**Sackett & Peters,** Whittier, Calif.	26	25	4	100	100	2	2	2	80	160	37,000	37,000	164
136	110	**Elk Supply,** Clinton, Okla.	25	30	(17)	80	77	17	16	17	12	204	30,000	30,000	127
—	129	**Levy's Lumber,** Louisville, Ky.	25	25	0	84	84	5	4	5	62	310	25,000	25,000	300
—	133	**Spahn and Rose Lumber,** Dubuque, Iowa	25	23	9	55	52	24	25	24	10	240	15,000	15,000	175
—	139	**Stine Lumber,** Sulfur, La.	25	22	14	80	80	6	6	6	15	90	6,500	6,500	186
—	124	**T.H. Rogers Lumber,** Oklahoma City	25	27	(7)	67	67	31	33	31	3	93	15,000	15,000	200
141	132	**Champion Lumber,** Riverside, Calif.	24	24	0	0	4	1	1	1	10	10	1,000	1,000	66
—	133	**Manis Lumber (Wheeler's),** Rome, Ga.	24	23	7	36	36	6	6	6	8	48	8,000	10,000	125
—	NL	**Moser Lumber,** Naperville, Ill.	24	24	0	22	28	2	2	2	25	50	24,000	30,000	190
—	141	**TAPJAC Co.,** Carthage, Mo.	24	21	14	65	65	14	12	14	12	168	10,000	20,000	260
145	133	**Hacienda Home Centers,** Albuquerque, N.M.	23	23	2	100	100	6	6	6	21	126	15,000	15,000	280
—	133	**Martin Home Centers,** Alexandria, La.	23	23	0	30	26	5	6	6	10	50	9,000	9,000	100
147	133	**Bailey Lumber,** Bluefield, W. Va.	22	23	(4)	65	65	15	17	15	4	60	7,500	10,000	225
—	NL	**Lummus Supply,** Atlanta, Ga.	22	19	16	40	40	4	4	5	8	32	8,000	10,000	56
—	NL	**Wallich Lumber,** Detroit, Mich.	22	15	47	10	15	2	2	1	10	20	10,000	10,000	70
150	141	**Hughes Lumber,** Tulsa, Okla.	21	21	0	75	81	10	10	11	15	150	8,500	8,500	150
TOP 10 TOTALS AND AVERAGES			10,724	8,989	24	77	79	2,028	1,800	2,111	37	50,612	17,900	20,450	92,665
TOP 25 TOTALS AND AVERAGES			15,439	13,155	19	75	76	3,107	2,836	3,088	36	79,120	18,440	20,960	134,215
TOP 50 TOTALS AND AVERAGES			18,250	15,925	13	65	66	3,755	3,532	3,726	30	91,609	17,660	20,140	158,845
TOP 100 TOTALS AND AVERAGES			21,006	18,527	13	55	55	4,299	4,085	4,284	25	100,043	15,818	18,118	176,296
TOP 150 TOTALS AND AVERAGES			22,459	19,975	9	53	53	4,739	4,526	4,736	24	106,303	16,438	18,698	186,999

Subsidiary Companies

Company	Subsidiaries	Total Sales (Mil $)		% change	% DIY		Number of Stores			Showroom (000) Sq. Ft.		Sku's		Employees 86 #
		1986	1985		1986	1985	1986	1985	'87 proj.	Store avg.	Chain total	Store avg.	Total	
PAYLESS CASHWAYS	**Somerville Lumber,** Somerville, Mass.	130	93	40	85	85	6	3	6	42	252	42,000	42,000	1,000
WICKES COS.[16]	**Wickes Lumber,** Vernon Hills, Ill.	1,080	912	18	50	50	245	212	245	9	2,205	10,000	10,000	7,100
	Builders Emporium, Irvine, Calif.	709	640	11	100	100	131	156	131	35	4,585	20,000	20,000	7,600
	Orchard Supply Hardware, San Jose, Calif.	163	155	(50)	80	80	21	21	21	33	693	50,000	50,000	2,600
LANOGA	**Lumbermen's,** Olympia, Wash.	65	60	8	45	57	16	14	16	10	160	12,500	12,500	375
	Spenard's, Anchorage	130	148	(12)	34	34	11	11	11	9	99	19,000	19,000	350
	United Building Centers, Winona, Minn.	127	127	0	47	47	108	115	108	6	648	NA	NA	1,125
GROSSMAN'S[17]	**Eastern Region**	881	758	16	NA	NA	241	244	242	NA	NA	NA	NA	NA
	Western Region	126	117	8	NA	NA	31	32	32	NA	NA	NA	NA	NA

Footnotes

[1] Wickes Cos. includes revenues from dates of purchase of Orchard Supply Hardware (July 1986), Grace Home Centers West (July, 1986), and Home[illegible]afters Warehouse (S[illegible]mber, 1986).

[2] Payless Cashways has restated its annual revenues to include full year revenues from Knox Home Centers, which it acquired in October, 1986.

[3] Grossman's became a new corporation after Evans Products emerged from bankruptcy proceedings in November, 1986.

[4] Channel Home Centers became a new company after a leveraged buyout from W.R. Grace in December, 1986. Revenues include results from Grace's Central Region (Handy City, Handy Dan, House Works).

[5] Scotty's fiscal year ended June 30. Chart numbers are for calendar year.

[6] Handyman ceased operations in December, 1986.

[7] Forest City stores were sold to Handy Andy in March, 1987.

[8] Handy Andy results include sales from date of purchase in June, 1986 of six Mr. HOW stores. It purchased 18 Forest City stores in March, 1987.

[9] Mr. HOW Warehouse ceased all operations by August, 1986.

[10] Knox was sold to Payless Cashways in October, 1986.

[11] Dixieline was sold to Nortek in late 1985.

[12] Lindsley closed 23 stores, and conducted going out of business sales for each, in September and October of 1986.

[13] Peter Kuntz was sold to Erb Lumber in July, 1986.

[14] Home Quarters Warehouse became a privately held company in a leveraged buy out from W. R. Grace in November, 1986.

[15] Homecrafters Warehouse was purchased by Wickes in September, 1986.

[16] Wickes Cos. subsidiaries have annualized revenues, while Wickes Cos. on the main chart has revenues only from the date subsidiaries were purchased. Builders Emporium includes sales from Grace Home Centers West (Ole's, Cashway, Allwoods and Handy Dan) from date of acquisition in July, 1986. Wickes Lumber includes sales from Homecrafters Warehouse from date of acquisition in September, 1986.

[17] Grossman's Eastern Region includes stores operated as Grossman's, Moore's, and Bargain Outlets. Its Western Region includes Grossman's Warehouse and Hubbard & Johnson stores.

NA: Not applicable /available.

NL: New listing.

NR: Not ranked.

The NHCN Top 100 DIY Sales

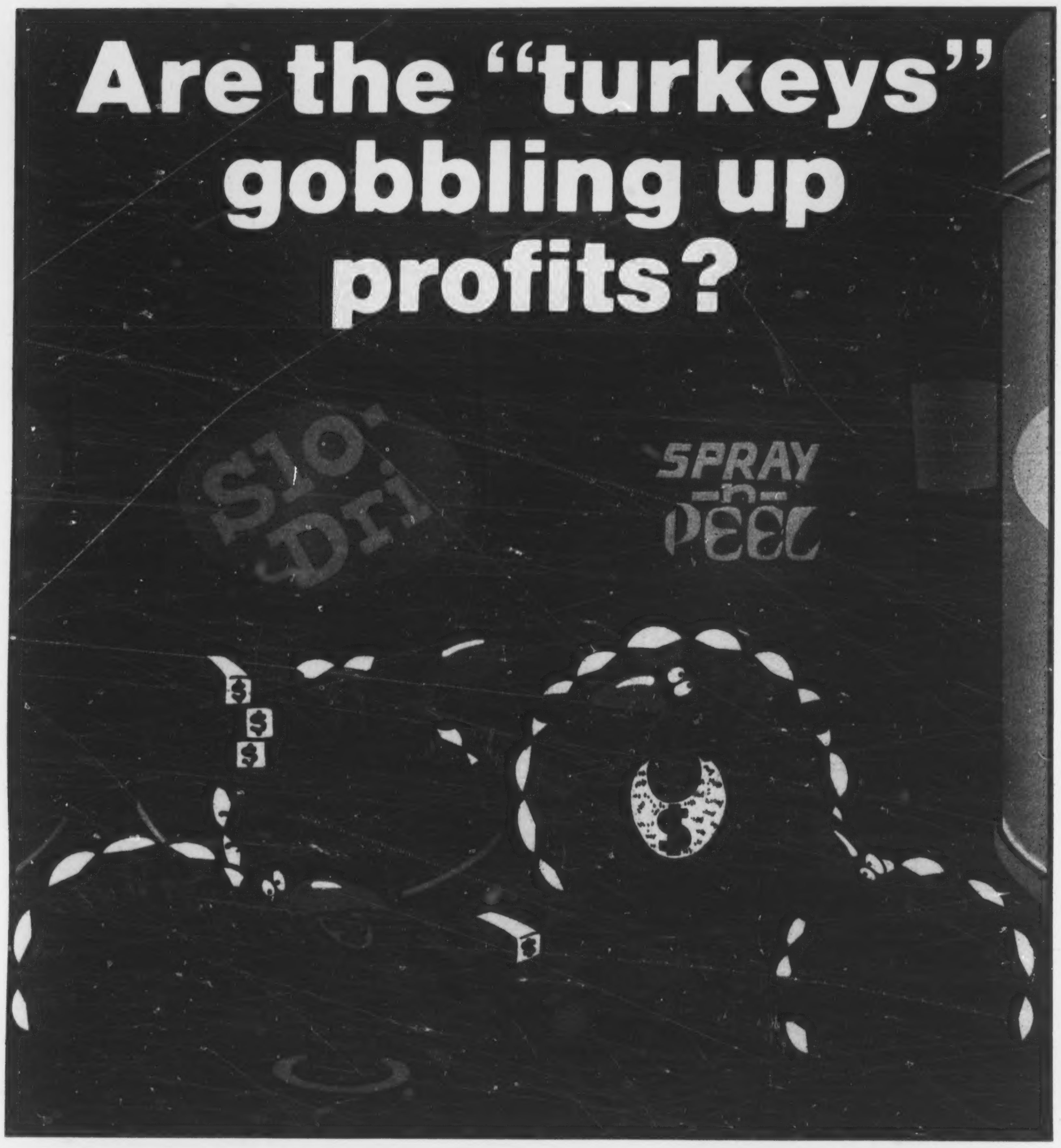
DIY Rank	Company	DIY Sales		% Change	% DIY 1986	Total Stores 1986
		1986 (Mil. $)	1985 (Mil. $)			
1	**Payless Cashways,** Kansas City, Mo.	1,375	1,265	9	90	181
2	**Lowe's Cos.,** North Wilkesboro, N.C.	1,256	1,077	17	55	300
3	**Wickes Cos.,** Santa Monica, Calif.	956	691	38	60	397
4	**The Home Depot,** Atlanta	859	596	44	85	60
5	**Grossman's,** Braintree, Mass.	806	709	14	80	272
6	**Sutherland,** Kansas City, Mo.	605	578	5	100	96
7	**Hechinger, Landover,** Md.	588	479	23	100	61
8	**Channel Home Centers,** Whippany, N.J.	544	725	−25	75	201
9	**Builders Square,** San Antonio, Texas	455	237	92	65	87
10	**Rickel,** South Plainfield, N.J.	416	385	8	100	45
11	**84 Lumber,** Eighty-Four, Pa.	410	391	5	60	373
—	**HomeClub,** Fullerton, Calif.	410	250	64	100	28
13	**Pay 'N Pak,** Kent, Wash.	398	333	20	100	107
14	**Scotty's,** Winter Haven, Fla.	330	307	7	65	131
15	**Menard's,** Eau Claire, Wis.	323	298	9	85	34
16	**Ernst Home Centers,** Seattle	310	260	19	100	73
17	**Central Hardware,** Bridgeton, Mo.	270	270	0	100	35
18	**Pergament Home Centers,** Melville, N.Y.	260	200	30	100	42
19	**Handyman,** San Diego, Calif.	178	228	−22	100	53
20	**Lanoga,** Seattle	161	168	− 4	50	135
21	**Forest City,** Cleveland	160	160	0	100	18
22	**Handy Andy,** Gurnee, Ill.	147	104	42	98	24
23	**Mr. HOW Warehouse,** Margate, Fla.	140	238	−41	95	0
24	**National Lumber,** Fountain Valley, Calif.	135	135	0	100	18
25	**McCoy's,** San Marcos, Texas	134	154	−13	70	72
26	**West Building Materials,** Atlanta	130	125	4	50	64
27	**Erb Lumber,** Birmingham, Mich.	125	95	31	50	42
28	**Mr. Goodbuys,** Philadelphia.	119	71	67	95	12
29	**Knox Lumber,** St. Paul, Minn.	118	112	5	95	10
30	**Carter-Jones Lumber,** Kent, Ohio	116	110	5	55	146
31	**Wolohan Lumber,** Saginaw, Mich.	103	86	19	53	39
32	**Lindsley,** Miami Lake, Fla.	90	105	−14	100	20
33	**Valu Home Centers,** Buffalo, N.Y.	76	65	17	100	25
34	**Lloyd Home Ctrs.,** Danbury, Conn.	74	65	14	70	34
35	**Westlake Ace Hardware,** Moberly, Mo.	73	64	14	91	38
36	**ACO,** Farmington Hills, Mich.	72	68	6	85	48
37	**Courtesy Home Centers,** Mt. Prospect, Ill.	70	60	17	100	6
38	**Stambaugh-Thompson,** Youngstown, Ohio.	69	61	13	100	20
39	**Diamond Lumber,** Sacramento	68	65	4	20	86
40	**Aubuchon Hardware,** Westminster, Mass.	62	54	15	100	132
—	**Busy Beaver,** Pittsburgh	62	57	8	95	11
42	**Eclipse Industries,** St. Louis	57	46	24	95	9
43	**Chase-Pitkin,** Rochester, N.Y.	56	56	0	93	11
44	**Home Quarters Whse.,** Virginia Beach, Va.	55	50	10	100	4
—	**Lampert Lumber,** St. Paul, Minn.	55	54	3	65	45
46	**Neiman-Reed's Lumber City,** Van Nuys, Calif.	54	58	− 7	95	10
47	**Goodman's Lumber,** San Francisco	51	47	9	100	4
48	**P.F. O'Connor,** Providence, R.I.	48	35	38	65	9
49	**Foxworth-Galbraith,** Dallas	45	44	2	45	53
—	**Hill-Behan Lumber,** St. Louis	45	45	1	49	34
51	**Dixieline,** San Diego, Calif.	42	41	3	40	5
52	**O'Malley's,** Phoenix.	41	36	13	30	16
53	**Copeland Lumber Yards,** Portland, Ore.	40	44	−10	40	75
—	**Edward Hines Lumber,** Chicago	40	36	11	40	24
55	**Church's Lumber,** Utica, Mich.	38	38	− 1	75	15
—	**Meeks Building Centers,** Springfield, Mo.	38	33	13	40	23
57	**Nat'l Hardgoods Dist.,** Stoughton, Mass.	36	34	6	100	27
—	**Plywood Minnesota,** Minneapolis	36	22	64	95	11
59	**Peter Kuntz,** Dayton, Ohio.	30	29	5	50	21
60	**All American Home Center,** Downey, Calif.	28	26	8	100	1
—	**City Mill,** Honolulu, Hawaii	28	32	−11	91	5
—	**National Home Center,** Springdale, Ark.	28	20	39	50	4
—	**Rigg's Supply,** Kennett, Mo.	28	30	−8	75	8
64	**Homecrafters Warehouse,** Birmingham, Ala.	27	120	−77	65	0
—	**Triangle Bldg. Centers,** Quakertown, Pa.	27	23	18	76	4
66	**Braver Lumber,** Detroit	26	26	0	87	11
—	**Sackett & Peters,** Whittier, Calif.	26	25	4	100	2
68	**Anderson Lumber,** Ogden, Utah	25	24	5	30	23
—	**M.G.Bldg. Materials,** San Antonio, Texas	25	28	−10	50	4
—	**O. B. Thompson,** Hopkins, Minn.	25	25	0	83	8
—	**Star Lumber,** Wichita, Kan.	25	25	0	50	3
—	**The Paty Co.,** Piney Flats, Tenn.	25	23	10	55	6
—	**Wolf Organization,** York, Pa.	25	20	27	35	26
74	**Lezzer Lumber,** Curwensville, Pa.	24	17	40	50	6
75	**Hacienda Home Centers,** Albuquerque, N.M.	23	23	2	100	6
76	**General Building Products,** Medford, N.Y.	22	18	17	38	4
77	**Gee Lumber,** Chicago	21	20	4	80	15
—	**Hancock Co.,** Casco, Me.	21	16	29	46	8
—	**Levy's Lumber,** Louisville, Ky.	21	21	0	84	5
—	**Williams Brothers,** Atlanta	21	20	6	30	9
81	**Alexander Lumber,** Aurora, Ill.	20	13	54	25	53
—	**Builderama,** Savannah, Ga.	20	19	6	78	7
—	**Curtis Lumber,** Ballston Spa, N.Y.	20	16	22	40	7
—	**Elk Supply,** Clinton, Okla.	20	23	−13	80	17
—	**Seigle's Home Centers,** Elgin, Ill.	20	13	53	35	6
—	**Stine Lumber,** Sulfur, La.	20	18	14	80	6
87	**Boise Cascade,** Boise, Idaho	18	26	−31	20	18
—	**M.L.Claster & Sons,** Bellefonte, Pa.	18	15	19	55	11
—	**Seacoast Building Centers,** Conway, S.C.	18	15	17	25	11
—	**Supply One,** Rancho Cordova, Calif.	18	15	20	100	3
—	**Thurman Industries,** Kirkland, Wash.	18	20	− 8	90	10
—	**Warners True Value,** St. Paul, Minn.	18	41	−56	95	10
93	**Gerrity Building Centers,** Meredith, N.H.	17	11	54	10	16
—	**Bellevue Bldrs. Supply,** Schenectady, N.Y.	17	15	14	34	1
—	**Lampert Yards,** St. Paul, Minn.	17	16	6	46	29
—	**T.H. Rogers Lumber,** Oklahoma City.	17	18	− 7	67	31
97	**A.C. Houston Lumber,** Wichita, Kan.	16	18	−10	25	11
—	**Hughes Lumber,** Tulsa, Okla.	16	17	− 7	75	10
—	**TAPJAC Co.,** Carthage, Mo.	16	14	14	65	14
—	**Woodbury and Sons,** Glens Falls, N.Y.	16	13	23	43	8
TOP 10 TOTALS AND AVERAGES		7,860	6,742	22	81	1,700
TOP 25 TOTALS AND AVERAGES		11,625	10,238	14	85	2,843
TOP 50 TOTALS AND AVERAGES		13,516	11,936	13	82	3,755
TOP 100 TOTALS AND AVERAGES		14,736	13,186	10	71	4,409

Perspectives

How the Top 150 and Top 100 line up

Companies	Total Sales Rank	DIY Rank
A.C. Houston Lumber	60	97
ACO	46	36
Alexander Lumber	50	81
All American Home Center	126	60
Anderson Lumber	48	68
Aubuchon Hardware	64	40
Babbitt Brothers	114	NR
Babcock Building Supply	126	NR
Bailey Lumber	147	NR
Bellevue Builders Supply	78	93
Big Tin Barn	120	NR
Boise Cascade	44	87
Braver Lumber	120	66
Brown-Graves	63	NR
Builderama	131	81
Builders Square	7	9
Builders Supply	120	NR
Busy Beaver	60	40
Calcasieu Lumber	114	NR
Carter-Jones Lumber	23	30
Causeway Lumber	98	NR
Central Hardware	19	17
Champion Lumber	141	NR
Channel Home Centers	6	8
Chase-Pitkin	65	43
Church's Lumber	79	55
City Mill	118	60
Cofer Brothers	131	NR
Copeland Lumber Yards	38	53
Courtesy Home Centers	56	37
Cox Lumber	68	NR
Crissey-Fowler Lumber	112	NR
Curtis Lumber	85	81
Daniels-McCray Lumber	89	NR
Diamond Lumber	16	39
Dixieline	35	51
E.C. Barton	93	NR
East Coast Lumber	75	NR
Eclipse Industries	65	42
Edward Hines Lumber	38	53
84 Lumber	8	11
Elk Supply	136	81
Erb Lumber	22	27
Ernst Home Centers	18	16
Fagen's	94	NR
Fairfield Lumber	129	NR
Forest City	28	21
Foxworth-Galbraith	37	49
Fullerton Lumber	107	NR
Ganahl Lumber	80	NR
Gee Lumber	131	77
General Building Products	69	76
General Building Supply	89	NR
Gerrity Building Centers	27	93
Goodman's Lumber	76	47
Great Plains Supply	107	NR
Grossman's	5	5
Hacienda Home Centers	145	75
Haddonfield Lumber	92	NR
Hancock Co.	89	77
Handy Andy	29	22
Handyman	26	19
Hayward Lumber	125	NR
Hechinger	10	7
Herndon Lumber	129	NR
Hill-Behan Lumber	43	49
Hinckley Home Centers	131	NR
Home Quarters Warehouse	73	44
HomeClub	13	11
Homecrafters Warehouse	94	64
Hughes Lumber	150	97
J.T.'s Home Center	94	NR
Kempsville	99	NR
Knox Lumber	34	29
L&P Building Supply	107	NR
Lampert Lumber	46	44
Lampert Yards	103	93
Lanoga	17	20
Lester Group	100	NR
Levy's Lumber	136	77
Lezzer Lumber	87	74
Lindsley	44	32
Lloyd Home & Building Centers	35	34
Lowe's Cos.	1	2
Lummus	147	NR
Lyman Lumber	49	NR
M.G. Building Materials	80	68
M.L. Claster & Sons	112	87
Mack Industries	60	NR
Manis Lumber	141	NR
Martin Home Centers	145	NR
Masten Lumber	111	NR
Mayfield Building Supply	120	NR
McCoy's	25	25
Meeks Building Centers	41	55
Menards	15	15
Mid-Cape Home Centers	85	NR
Millard	126	NR
Moser Lumber	141	NR
Mr. Goodbuys	33	28
Mr. HOW Warehouse	30	23
Nassau Suffolk Lumber	94	NR
National Hardgoods Dist.	105	57
National Home Center	72	60
National Lumber (Calif.)	31	24
National Lumber	80	NR
Neiman-Reed's Lumber City	69	46
O'Malley's	31	52
O.B. Thompson	120	68
P.F. O'Connor	53	48
Panning Lumber	118	NR
Parr Lumber	73	NR
Pay 'N Pak	14	13
Payless Cashways	3	1
Pergament Home Centers	20	18
Peter Kuntz	65	59
Ply-Marts	107	NR
Plywood Minnesota	101	57
Ray Lumber	76	NR
Rickel	12	10
Rigg's	103	60
Sackett & Peters	131	66
Scherer Brothers	53	NR
Scotty's	11	14
Seacoast Building Centers	56	87
Seigle's Home & Building Centers	69	81
Spahn and Rose Lumber	136	NR
Stambaugh-Thompson	59	38
Standard Supply and Lumber	114	NR
Star Lumber	80	68
Stevenson Lumber	80	NR
Stine Lumber	136	81
Stripling Blake Lumber	114	NR
Strober Brothers	42	NR
Sutherland	9	6
T.H. Rogers Lumber	136	93
TAPJAC	141	97
Terry Companies	38	NR
The Home Depot	4	4
The Paty Co.	88	68
Triangle Building Centers	105	64
Value Home Centers	52	33
Wallich Lumber	147	NR
Warners Tru Value	NR	87
West Building Materials	20	26
Westlake Ace Hardware	50	35
Wickes Cos.	2	3
Williams Bros.	56	77
Wolf Organization	55	68
Wolohan Lumber	24	31
Woodbury and Sons	101	97

Subsidiaries are ranked by parent companies
NR—Not ranked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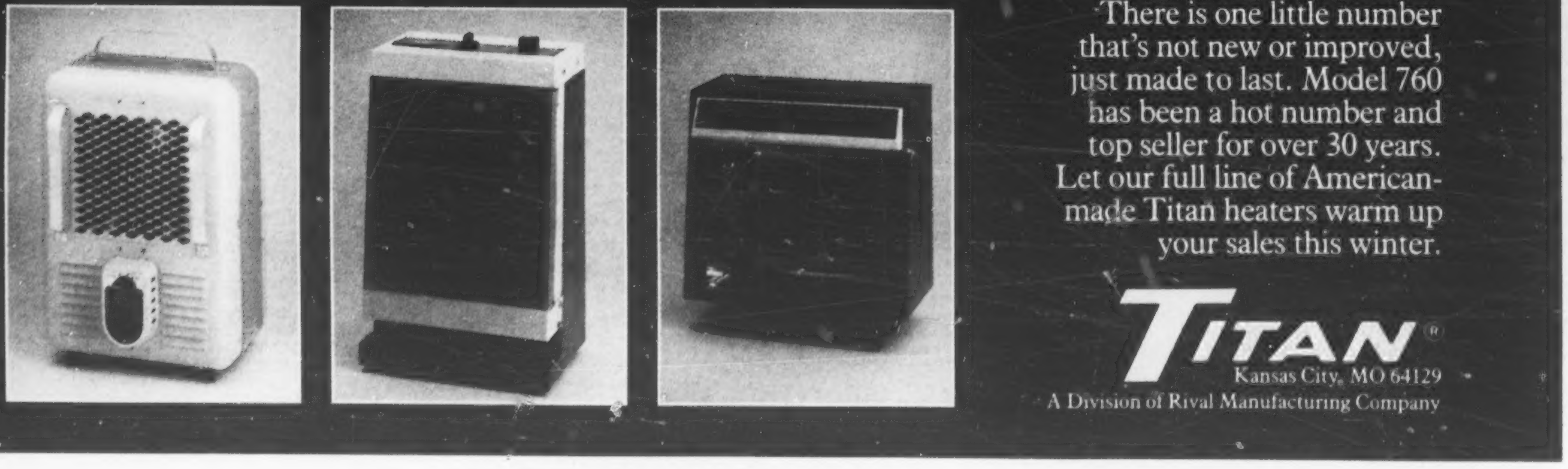

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Big Three rule warehouse segment in wake of Mr. HOW

By an NHCN staff editor

NATIONAL REPORT — The big news for the warehouse segment in 1986 was an obituary:

Mr. HOW
1982-1986
R.I.P.

With the passing of Mr. HOW, the Gang of Four became the Big Three—The Home Depot, Builders Square and HomeClub—a trio of warehouse operators which, by mid-1986, ran three-quarters of all known warehouse units in the retail building material industry.

Though this exclusive club was reduced by one member by August, warehouse operators continued to generate excitement and industrywide repercussions. Service Merchandise's decision to pull the plug on its Mr. HOW division—following nearly a year of rumors that the Mr HOW was terminally ill—did not diminish the volatility and interest the warehouse operators fermented.

Major developments

Among the major developments of this retailing sector in 1986 were:

- The addition of more than 50 new stores by Builders Square, the San Antonio-based K mart subsidiary. Builders Square opening seven units in a single day, to end the year with 87 units. It operates the largest number of warehouse stores;
- The Home Depot, Atlanta, became the first warehouse chain to crack the billion dollar sales barrier with 60 stores by year's end;
- Bob McNulty, president and cofounder of HomeClub, Fullerton, Calif., resigned to open a chain of warehouse sporting goods stores;
- Service Merchandise, the Nashville-based catalog showroom and former parent of Mr. HOW, sold its 27 units to, among others, Builders Square, Central Hardware (which bought four units) and Handy Andy, the Gurnee, Ill., company which purchased six former Mr. HOW operations in the Chicago area.

Signs of a slowdown

In broader developments, the warehouse sphere continued to show some signs of a slowdown, as the definition of what a warehouse is and is not changed for many dealers. Previous to 1985, it was generally assumed that a warehouse operation was any unit that used 60,000 to 100,000 square feet, displayed all inventory on its sales floor in warehouse racking, tended to depend on one-step distribution, and generated annualized per-store sales of at least $12 million to $15 million.

But such companies as Hechinger, Grossman's, Busy Beaver, Pay 'N Pak and Pergament, which had stores that fell into this classification, are now calling their units hybrids of the warehouse format.

So in total, there has been a net loss of pure warehouse operators from 19 a year ago to 15.

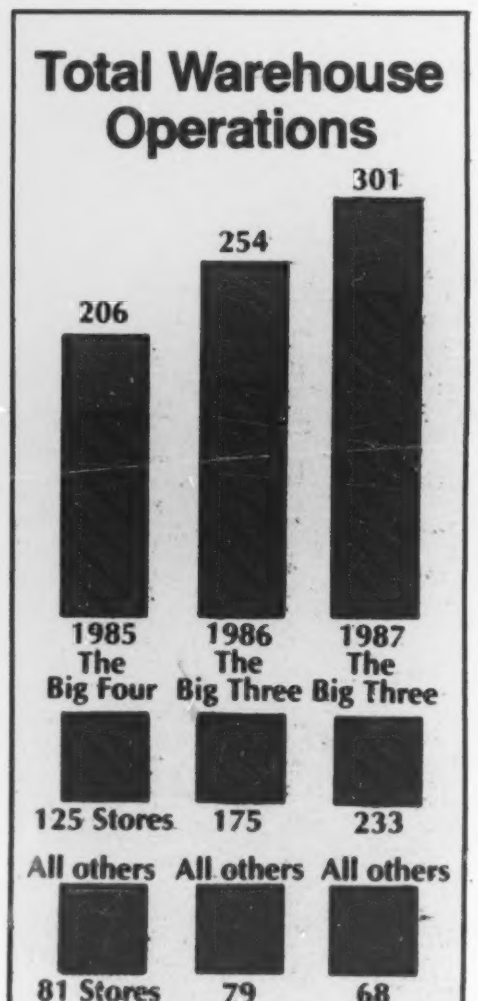
The Big Three ran 175 of the 254 total warehouses in operation throughout the U.S. at the end of 1986. If projections hold for 1987, the Big Three will operate 233 units of a segment projected to hit about 280 warehouse units.

Beyond the three large companies, however, several smaller warehouse operators also made waves in 1986.

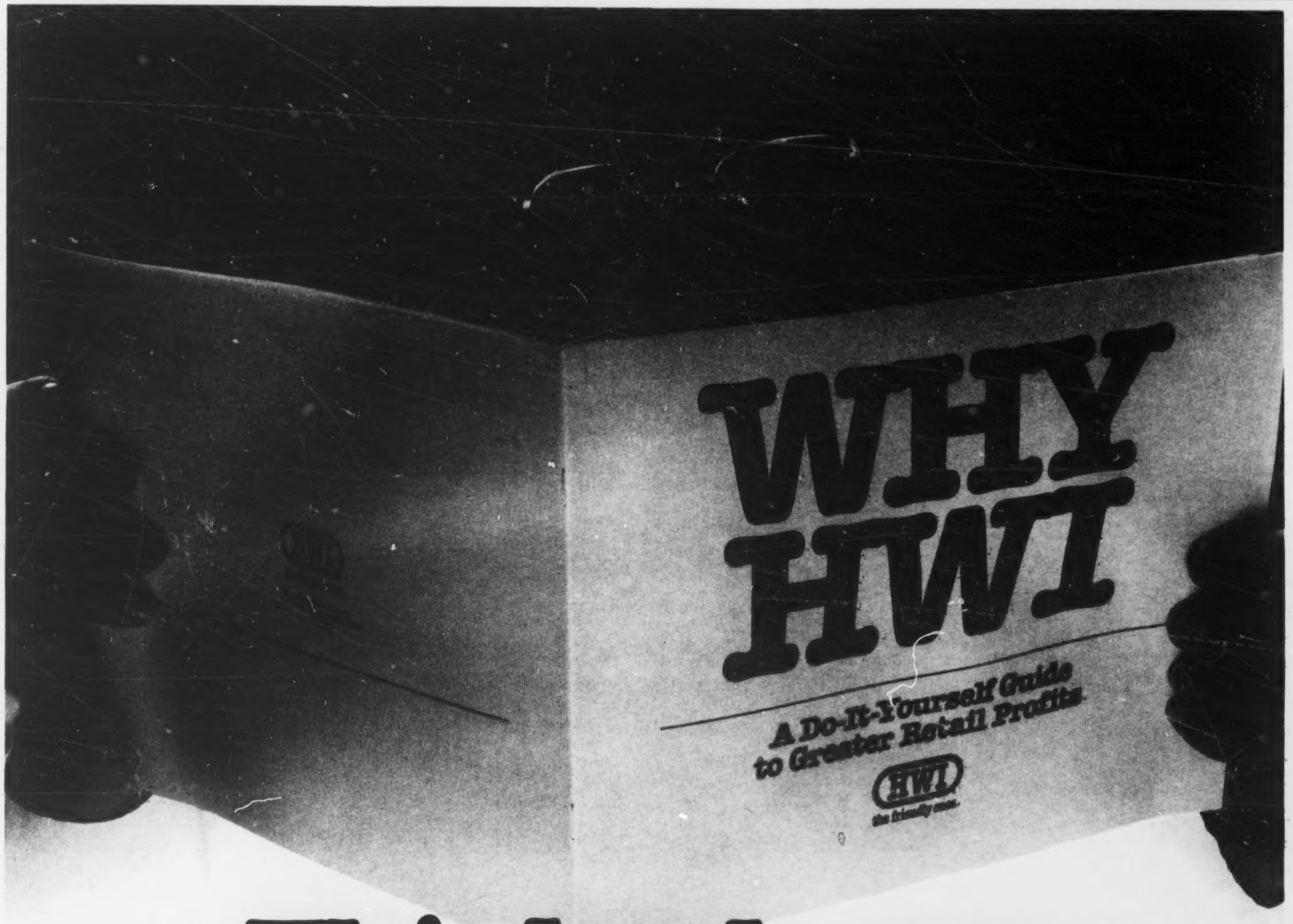
Among these are Handy Andy, which will have nine warehouse units slated to go up in 1987; and Mr. Goodbuys, with 15 units projected for 1987, emerging as two formidable warehouse players. Mr. Goodbuys' executive management team was buoyed last year when Tom Thornton left Orchard Supply, San Jose, to become president of the Philadelphia-based warehouse chain.

Also moving into the fray will be Home Quarters Warehouse, the former W.R. Grace subsidiary in Virginia Beach, Va., that went private last year and is looking to become a seven-unit chain.

> With the passing of Mr. HOW, the Gang of Four became the Big Three—The Home Depot, Builders Square and HomeClub—a trio of warehouse operators . . .



*This chart assumes traditional warehouse operations and not hybrids like Hechinger's, Pay 'N Pak, Grossmans, etc.



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Top Gainers in % of Total Sales

Rank	Company	(% Change)
1	Builders Square, San Antonio, Texas	92
2	Lester Group, Martinsville, Va.	86
3	Mr. Goodbuys, Philadelphia	67
4	HomeClub, Fullerton, Calif.	64
5	Scherer Brothers, Minneapolis, Minn.	48
6	Wallich Lumber, Detroit, Mich.	47
7	The Home Depot, Atlanta	44
8	East Coast Lumber, East Hamptstead, N.H.	43
9	Handy Andy, Gurnee, Ill.	42
10	Wickes Cos., Santa Monica, Calif.	38
11	Lezzer Lumber, Curwensville, Pa.	37
12	Seigle's Home Centers, Elgin, Ill.	36
13	Erb Lumber, Birmingham, Mich.	31

Source: Company data; *NHCN* research; *NHCN* chart

Top Gainers in $ of Total Sales

Rank	Company	Sales Increase (Mil $)
1	Wickes Cos., Santa Monica, Calif.	442
2	Builders Square, San Antonio, Texas	335
3	The Home Depot, Atlanta	310
4	Lowe's Cos., North Wilkesboro, N.C.	211
5	HomeClub, Fullerton, Calif.	160
6	Payless Cashways, Kansas City, Mo.	138
7	Grossman's, Braintree, Mass.	132
8	Hechinger, Landover, Md.	109
9	Pay 'N Pak, Kent, Wash.	65
10	Pergament Home Centers, Melville, N.Y.	60
11	Erb Lumber, Birmingham, Mich.	59
12	Ernst Home Centers, Seattle	50

Source: Company data; *NHCN* research; *NHCN* chart

Lowe's year of change

By an NHCN staff editor

NORTH WILKESBORO, N.C. — For Lowe's, the industry's largest home center chain, 1986 was a year of change.

Revenues for the year increased 10 percent to $2.3 billion. Earnings declined 8 percent to $55.1 million, before extraordinary items.

The chain ended the year with 300 stores, up from 282 in 1985. Fifty-five percent of its sales came from consumer transactions, compared to 52 percent the previous year.

The year began with the melding of the company's store operations with its sales and merchandising functions. Former senior vp-store operations Wendell Emerine, was promoted to the new position of executive vp in charge of store operations, sales and merchandising.

At the same time, the real estate and expansion department was reactivated under the direction of Dwight Pardue. He was promoted from executive vp-sales and operations to senior executive vp - real estate and expansion.

Takeover protection

The company's field operations were also simplified. What was formerly a combination of numerous regions and areas was made into just three regions, each headed by a regional vp with 21 areas.

Also in 1986, company shareholders approved a management proposal for a series of "shark repellents" to help protect the company against takeover attempts.

The company also began testing some "pro-only" yards last year, in towns with significant construction activity but too little population to support full-line stores.

The company is scaling back plans for opening new stores after 1987.

Conversions planned

This year, the firm plans to convert as many of 150 of its smaller stores into larger retail yards. As a stop-gap measure to spark more sales, the company has launched a new program called "pre-Phoenix." This will provide face lifts to 100 of its smaller home centers during the first quarter of this year.

Lowe's also announced it was pleased with the results of its testing of furniture departments, and would roll out 500- to 1,000-square-foot furniture departments in most of its units.

At one point last year, Lowe's was the subject of speculation that Wickes Cos. would attempt a takeover. In October, the company's stock increased by some 26 percent over a five-day period as a result of the unfulfilled rumors.

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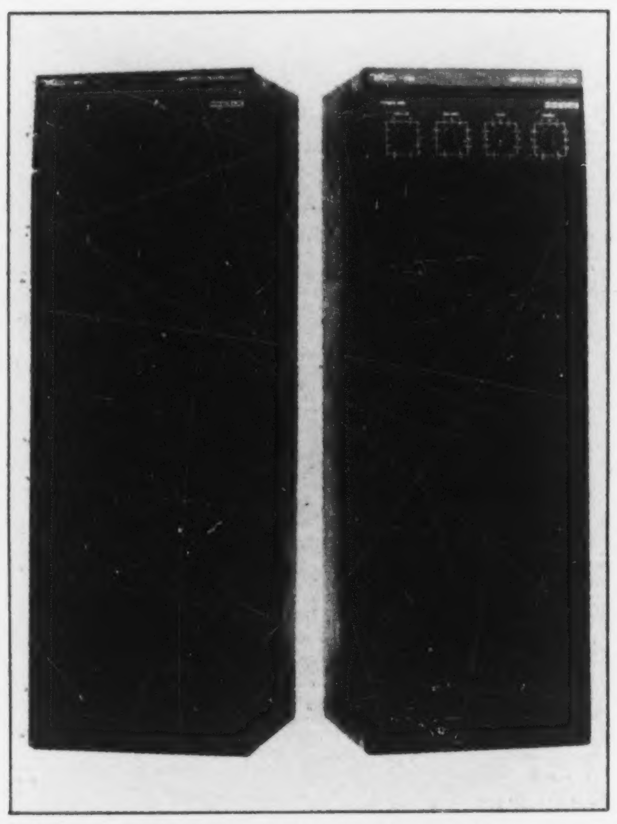
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Acquisitions widen Wickes' retail businesses

By an NHCN staff editor

SANTA MONICA, Calif. — Last year, Wickes Cos. acquired Grace Home Centers West, Orchard Supply Hardware, Homecrafters Warehouse and Kindt Corp., bringing revenues in the building materials/home improvement segment to about $2.2 billion on an annualized basis.

Top Losers in % of Total Sales

Rank	Company	% Change
1	Homecrafters Warehouse, Birmingham, Ala.	−77
2	Mr. HOW Warehouse, Margate, Fla.	−41
3	Boise Cascade, Boise, Idaho	−31
4	Big Tin Barn, Diboll, Texas	−29
5	Stripling Blake Lumber, Austin, Texas	−27
6	Calcasieu Lumber, Austin, Texas	−24
7	Handyman, San Diego, Calif.	−22
8	Elk Supply, Clinton, Okla.	−17
—	Mayfield Building Supply, Arlington, Texas	−17
10	M. G. Building Materials, San Antonio, Texas	−14
11	Fullerton Lumber, Minneapolis, Minn.	−13
—	Great Plains Supply, St. Paul, Minn.	−13
13	City Mill, Honolulu	−11
—	Neiman-Reed's Lumber City, Van Nuys, Calif.	−11
15	Foxworth-Galbraith, Dallas	− 9

Source: Company data; *NHCN* research; *NHCN* chart

Wickes' sales from its retail lumber and home centers was approximately $1.6 billion in 1986, according to *NHCN* estimates, making it the second largest home improvement chain in the country, and the one with the most stores.

Wickes did not pass $2 billion in 1986 because its home center acquisition campaign didn't start until midyear.

Earlier this year Wickes again changed the composition of its home improvement segment with the announcement that it will sell its interest in London-based Wickes PLC, and sell its Sequoia Supply wholesale operation to a management group.

Grace Home Centers West and Orchard Supply generated more than $600 million in yearly sales. They totaled 108 units including 62 Ole's Home Centers and 10 Handy Dan units in Colorado, which were closed. The Ole's stores in California were given the Builders Emporium name in a revamp program last year.

Wickes closed nearly 24 Builders Emporium and Ole's stores, including 15 in southern California. It also trimmed the Grace West corporate staff, cutting more than 1,000 jobs.

In major top management changes, Jack Edwards was named president and ceo of Builders Emporium in August. He had been president of Rose's, a Henderson, N.C.-based discount chain of 200 stores. He replaced Hal Smith, who became Ernst ceo.

At Orchard Supply, Maynard Jenkins, former president and coo of Seattle-based Pay 'n Save, was named president and ceo in December, replacing Thomas Thornton who joined Mr. Goodbuys.

At Wickes Lumber, the April 1986 purchase of the nine-store Kindt, a wholly owned subsidiary of The Edward Hines Lumber Co., raised Wickes Lumber's store count to 220 units in 36 states.

Wickes Lumber also purchased the 27-unit Homecrafters Warehouse in Birmingham, Ala., in early June.

Diversifying into other non-DIY businesses means that building material retailing represents less than 30 percent of Wickes' total sales.

The company made four takeover bids for manufacturers, two of which—for Owens-Corning Fiberglas and National Gypsum—were hostile.

In April, Wickes bid $1.23 billion for National Gypsum. It eventually sold its stake in the Dallas company after a management buy-out was approved by the Gypsum board.

In September, Wickes backed away from a $2.1 billion hostile tender offer for Owens-Corning after the company countered with its own recapitalization plan.

Wickes chairman Sanford Sigoloff paid out $1.2 billion for New York-based Collins & Aikman, a producer of wall coverings and upholstery.

The fourth major bid was for Santa Monica, Calif.-based Lear Siegler. In November, Lear Siegler directors had agreed to a $1.7 billion merger bid from Wickes. But Wickes backed away from its tender offer, saying it couldn't arrange bank financing on satisfactory terms.

Today, Wickes' assets total more than $4 billion and long-term debt is about $2.3 billion.

Wickes reasoning for its acquisition efforts in 1986 were in part due to its desire to use more than $400 million in tax-loss carry-forwards which have accrued since it emerged from Chapter 11 in 1985.

Wickes began its acquisition drive in the summer of 1985 by acquiring Gulf + Western's consumer and industrial products group for $1 billion. Then, last spring, Wickes raised $1.2 billion through a debt offering by Drexel Burnham Lambert Inc.

In 1986, Wickes announced that it was leaving general retailing by divesting every retail business except the lumber and home-furnishing segments of its pre-Chapter 11 businesses.

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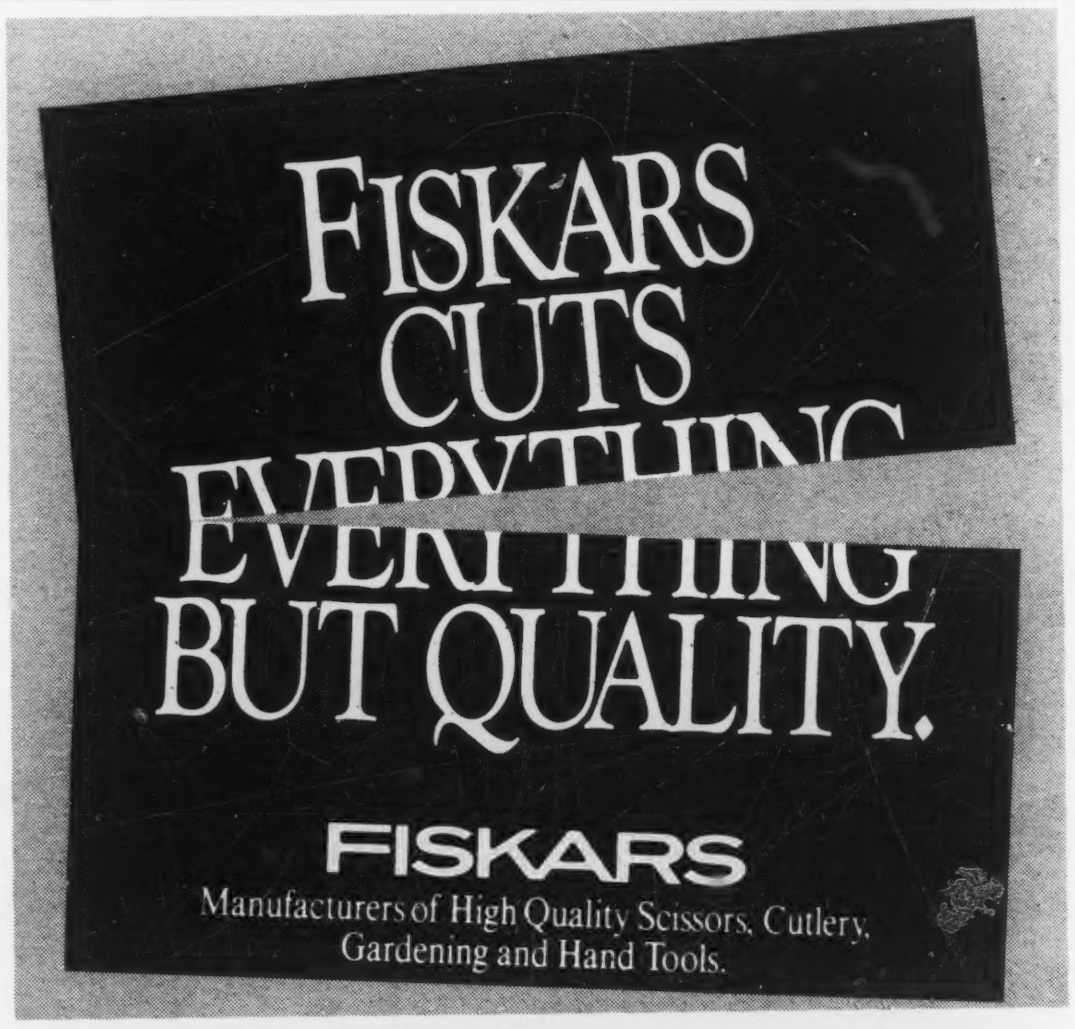

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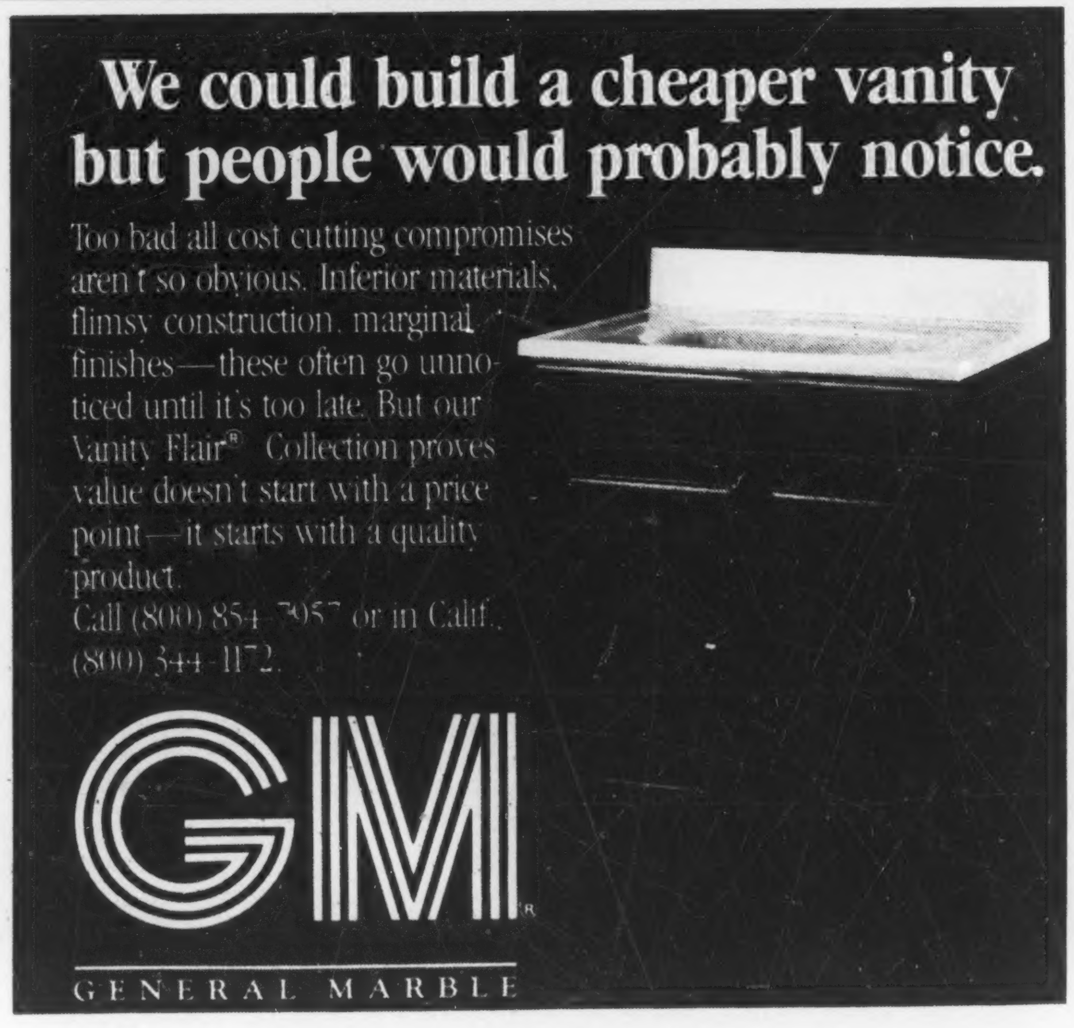

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Top Losers in $ of Total Sales

Rank	Company	Sales Decrease ($)
1	Homecrafters Warehouse, Birmingham, Ala.	−142
2	Mr. HOW Warehouse, Margate, Fla.	−103
3	Handyman, San Diego, Calif.	− 50
4	Boise Cascade, Boise, Idaho	− 40
5	Lanoga, Seattle.	− 13
6	Big Tin Barn, Diboll, Texas.	− 12
—	Stripling Blake Lumber, Austin, Texas	− 12
8	Calcasieu Lumber, Austin, Texas	− 10
—	Foxworth-Galbraith, Dallas	− 10
10	M. G. Building Materials, San Antonio, Texas	− 8
11	Neiman-Reed's Lumber City, Van Nuys, Calif.	− 7
12	Mayfield Building Supply, Arlington, Texas	− 6
13	Elk Supply, Clinton, Okla.	− 5
—	Fullerton Lumber, Minneapolis, Minn.	− 5
—	Great Plains Supply, St. Paul, Minn.	− 5

Source: Company data; *NHCN* research; *NHCN* chart

Knox acquisition gives Payless stronger Midwestern presence

By an NHCN staff editor

KANSAS CITY, Mo. — A new president and a new acquisition highlighted 1986 for Payless Cashways, the industry's third largest chain in sales, and one that continues to steadily expand.

The company's sales grew 10 percent in 1986 to $1.528 billion from 181 stores. Payless' net income for the year increased 11 percent to $42.4 billion, or $1.22 per share.

But Payless' story last year is not completely evident from its numbers. Last October, the company acquired the 10-unit, $130 million Knox Lumber chain, based in St. Paul, Minn., an operation Payless has reportedly coveted for several years.

The purchase gives Payless immediate market penetration into an area of the country where it had been somewhat under-represented.

The Knox acquisition, for which Payless paid $24.3 million, adds another link to Payless becoming a national chain. It currently operates in 23 states, and its stores reach from shore to shore and border to border.

And it appears that Payless is starting to get serious about using its Somerville Lumber subsidiary as a launching pad for some major East Coast expansion over the next few years. Somerville, the industry's most profitable independent, opened in New Hampshire and in the Providence, R.I. area in 1986.

Aside from Providence, other new markets into which Payless expanded last year were Norman, Okla.; Lincoln, Neb.; Anderson, Ind.; Lexington, Ky.; Wichita Falls, Texas; and Fort Smith, Ark.

Payless also closed a number of smaller units in less populous areas of the country, as it appears to be concentrating on moving into metro markets with bigger stores. (It will add 12 units this year.) Five of these smaller stores in the Midwest were sold to United Building Centers based in Winona, Minn.

Payless took several managerial and operational steps to orchestrate and manage its growth. Larry Kunz, a 30-year veteran largely in the discount field, was named president and chief operating officer.

Other management changes included the promotion of Mike Sargent to vp-Midwestern region; Jim Neustadt to vp-merchandising; and Jim Bryan to vp-distribution and transportation.

This last position will be a crucial one to Payless' future profitability, as its stores receive a great percentage of their merchandise from the chain's nine distribution facilities. Late last year, the company broke ground on a 480,000-square-foot distribution center in Sedalia, Mo., scheduled to open in 1988.

Depot hits $1B in 1986 revenues

By an NHCN staff editor

ATLANTA — The Home Depot, the $1 billion chain that fathered the warehouse home center concept, entered a new era of cautious growth in 1986.

Revenues topped $1 billion for the first time, up by 44 percent from the sales volume of 1985. This sales growth moved Home Depot into the fourth position among home center retailers.

But its caution was dramatically evident when it canceled plans to enter the Detroit market. The decision, made in January of 1986, delayed indefinitely the firm's plans to enter the northern half of the United States.

Concurrently, The Home Depot trimmed its expansion plans for 1986 to nine stores from the 20 it originally announced in 1985.

The company actually ended 1986 with 60 stores, up from 50 the year before.

Home Depot plans to open 16 new stores in 1987. One of those stores, in Chattanooga, Tenn., represents a new market for the company.

Most of the firm's 1987 expansion is expected to concentrate in California, where it plans to have 18 stores by the end of 1987.

(Continued on page 62)

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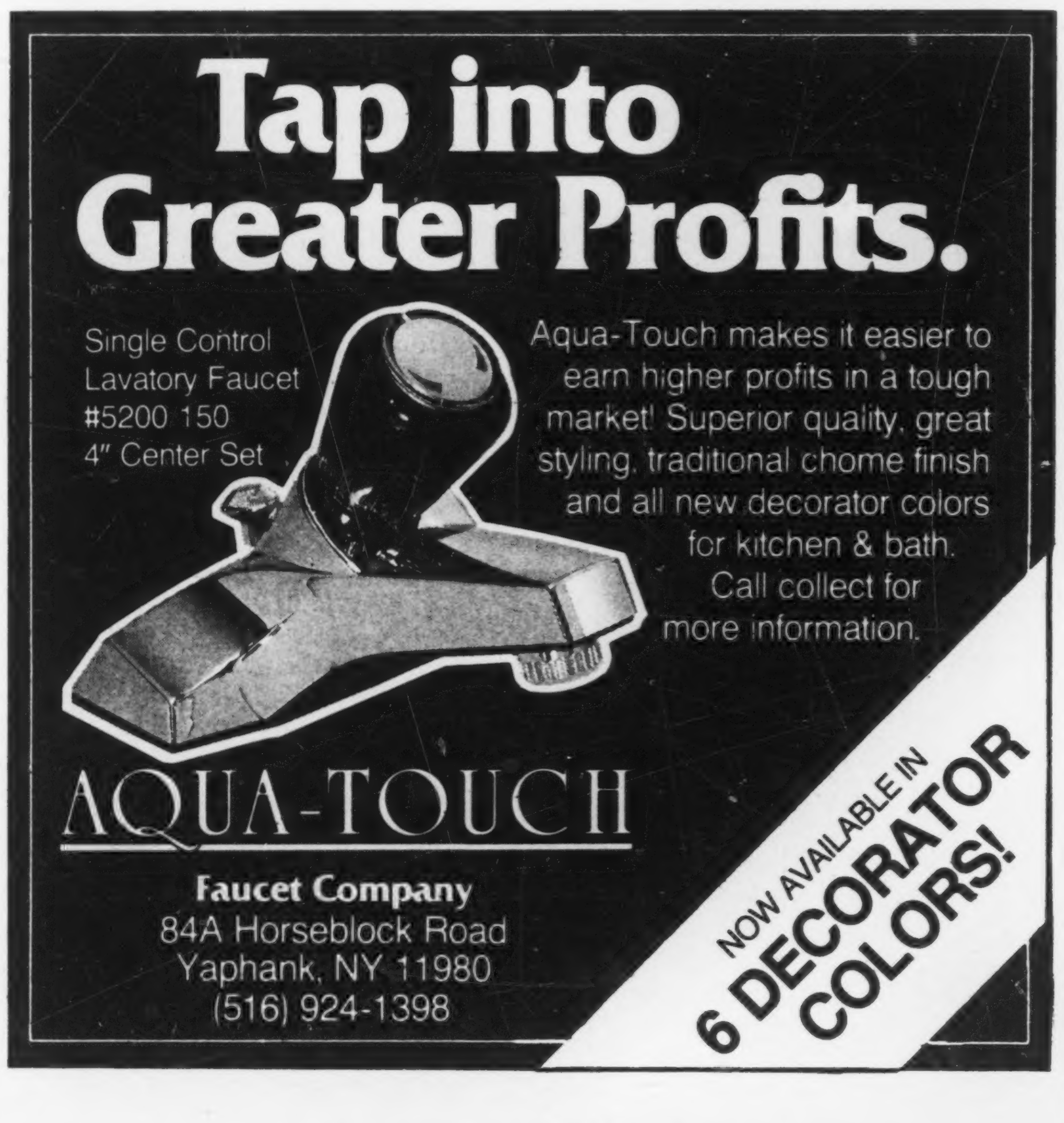

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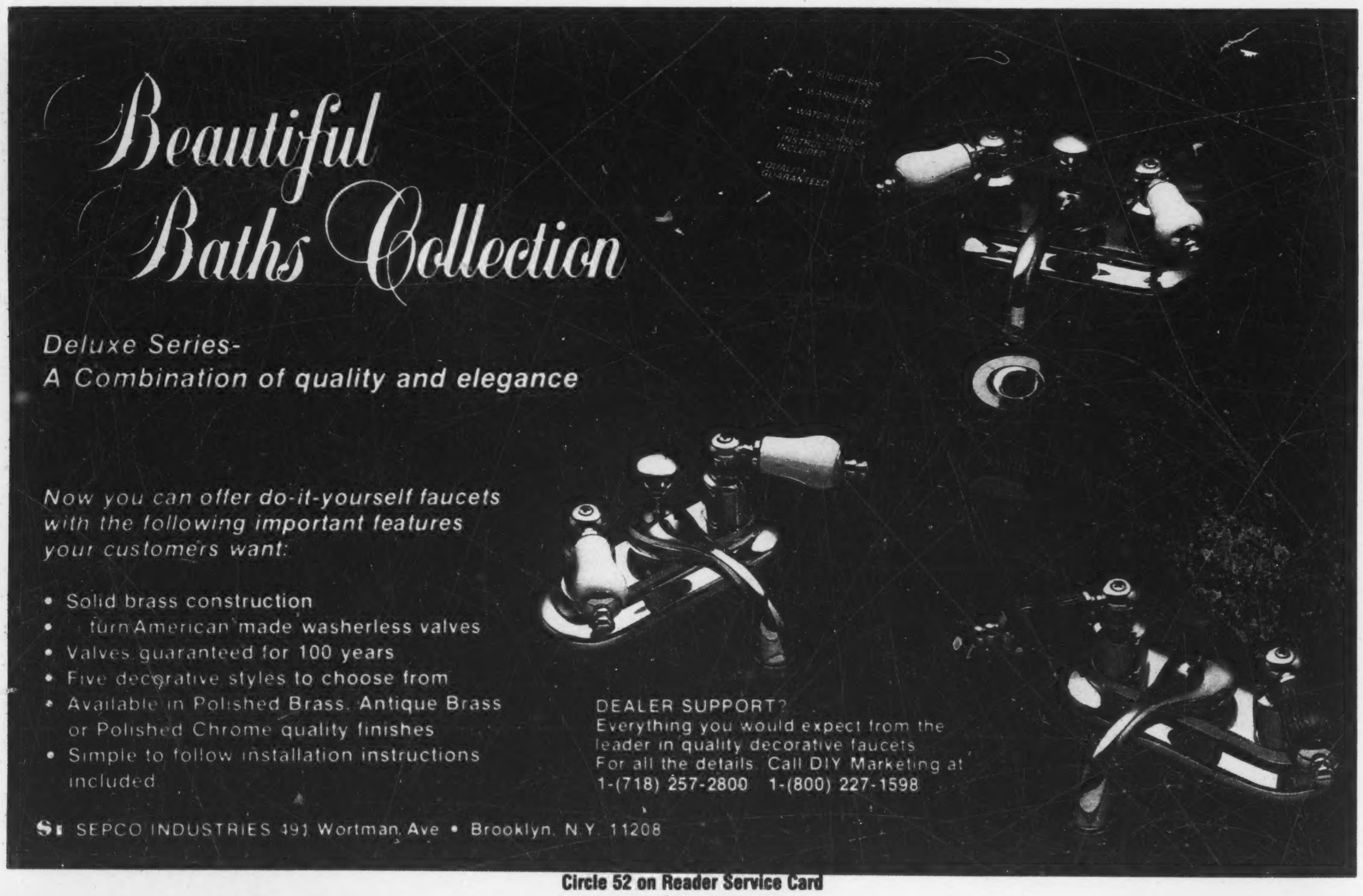

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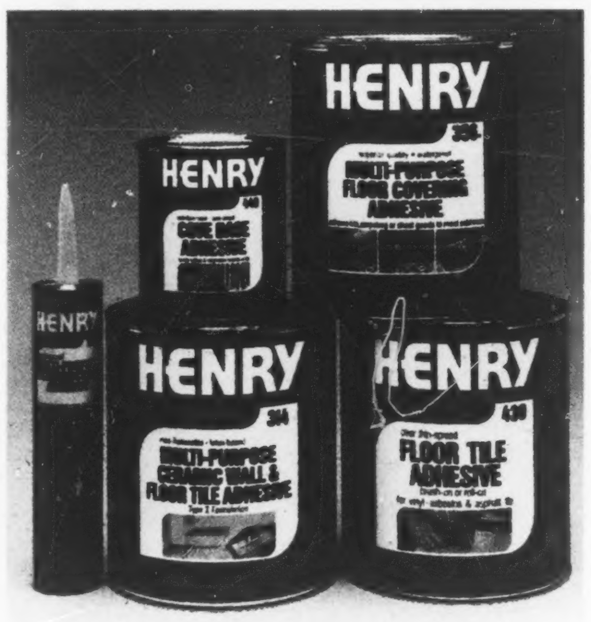

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Perspectives **annual report**

Grossman's reborn as a new firm

By an NHCN staff editor

BRAINTREE, Mass. — Rarely in the home center industry does one year make the kind of difference 1986 did for the Retail Group of Evans Products, which not only broke away from its parent company, but in fact started out 1987 as a new entity.

All of the non-retail related assets of Evans, which had been in Chapter 11 since March 1985, are being disposed of. What survives is Grossman's Inc., based here, which emerged last November as a result of a plan for reorganizing Evans out of bankruptcy that was approved, over strong but futile objections on the part of the parent, by a federal court in Miami.

Grossman's Inc.—which includes stores operating under the names Grossman's, Moore's, Bargain Outlets, Grossman's Warehouse and Hubbard & Johnson—came out of Chapter 11 with around $240 million in debt, and operating income as a percentage of sales that are far below the industry average.

However, the industry's fifth largest chain with $1.009 billion in sales from 272 stores last year has a balance sheet unencumbered by Evans' other beleaguered operations. It has successfully begun trading 25.1 percent of its new common stock over-the-counter at prices that, since November, have risen from $7 per share to around $11.

The new corporation will also has $131 million in tax loss carryforwards.

Flush from its escape from bankruptcy and Evans' clutches, Grossman's officials initiated a three-year, $75 million store retrofit and reconstruction program. They have also begun to close unprofitable units and replace them with larger stores, many patterned after the 56,000-square-foot, warehouse-style prototype in Rochester, N.Y.

In addition, 40 of the Moore's stores had new garden shops installed into them, with another 40 getting this treatment in 1987.

And, to support its new marketing thrust, Grossman's increased its TV advertising spending by 1,500 percent in 1986 to more than $1.6 million.

Early this year, Grossman's broke the corporation into two divisions with Robert Harrow becoming president of the 241-unit Eastern Region, and former Moore's executive vp Joe Vaeth heading up the 31-unit Western Region that is scheduled for growth this year.

Lost but not forgotten in all this restructuring was Lindsley, the Miami-based chain that was extracted from the rest of Grossman's Inc. as part of the reorganization.

Lindsley closed 23 of its 43 stores to pay off its $14.7 million in debt. And the company spent $2 million to convert 16 of the remaining units to a new format that placed greater emphasis on lawn and garden and home decor products.

Lindsley's executive vp Tom Seifert expects Lindsley to do $70 million in 1987.

Top Gainers in $ of DIY Sales

Rank	Company	DIY Sales Increase (Mil $)
1	Wickes Cos., Santa Monica, Calif.	265
2	The Home Depot, Atlanta	264
3	Builders Square, San Antonio, Texas	218
4	Lowe's Cos., North Wilkesboro, N.C.	178
5	HomeClub, Fullerton, Calif.	160
6	Payless Cashways, Kansas City, Mo.	110
7	Hechinger, Landover, Md.	109
8	Grossman's, Braintree, Mass.	97
9	Pay 'N Pak, Kent, Wash.	65
10	Pergament Home Centers, Melville, N.Y.	60
11	Ernst Home Centers, Seattle	50
12	Mr. Goodbuys, Philadelphia	48
13	Handy Andy, Gurnee, Ill.	43

Source: Company data; *NHCN* research; *NHCN* chart

Home Depot hits $1B in 1986 revenues

(Continued from page 58)

As recently as July, 1985, the firm had no stores in California.

In August the firm opened the largest store in its history. This was a 139,500-square-foot unit in the San Diego suburb of El Cajon, Calif.

Last year, the company hired a new executive vice president, a position that had remained vacant since the departure of Pat Farrah, one of Home Depot's founders, about a year earlier.

New inventory system

William Kelly, former president of the Jack Eckert Corporation, assumed the new position in August. He has responsibility for merchandising and marketing.

Those responsibilities will be eased somewhat as the company completes the installation of its perpetual inventory maintenance system last year.

Home Depot also began testing a shelf pricing system in a dozen stores that would eliminate the need for employees to place price stickers on merchandise. It hopes to have this on line in all stores this year.

On the advertising front, Home Depot departed a bit from its traditional "flexi" advertising concept, and introduced a new "Catabook" in mid-July. The small size of the new booklet—4-inches by 7-inches—makes it easy to fit into the pocket of the customer.

The new advertising format will be used on occasion to add variety to the firm's advertising program.

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Grace exits with Channel and Central Region sale

By an NHCN staff editor

NEW YORK — W. R. Grace bailed out of the industry in 1986, selling off some 340 home center operations in a series of divestments that took nearly a year to conclude.

And the remnants of that sale left a new company, Channel Home Centers Incorporated, as the industry's sixth largest company, with sales about $725 million.

In what was arguably the most publicized industry event in 1986, Grace's departure, as well as the fate of the corporation itself, filled news stories in both trade and national consumer business journals throughout the year.

The year for W. R. Grace began with its sobering announcement that it was restructuring operations and ended 11 months later when Lee Berger, president and ceo of Channel, mounted a successful leveraged buyout of the chain he led plus Grace's San Antonio-based Central Region. The merged operations were later to be called Channel Home Centers Incorporated.

Channel's merged revenues last year were estimated to be flat compared to 1985 totals.

Once the industry's leading home center operator in terms of store count and the first to break the billion dollar sales barrier in the home improvement sector, the Manhattan-based Grace put its sprawling home center division on the block when a long time shareholder, the Flick Group of West Germany, suddenly decided to sell more than a quarter of its Grace stock late in 1985.

From the beginning, the company said its retail group—which also included some 360 specialty stores, restaurant chains and apparel outlets—would be sold in order to raise about $700 million to keep the company's stock under its control.

For months, it seemed that management of the top Grace divisions would acquire the various operations through leveraged buyouts. The most favored scenario saw Bernard Kossar as the leading candidate to assume control of the retail group.

In March the Grace negotiations got attention when Harold Geneen, former chairman of ITT, made a bid to buy all the home center operations.

But two months later, Geneen was eliminated when Kossar signed a letter of intent and Wickes Cos. bought the 108-unit Grace West (including the always-profitable Orchard chain) for $180 million. Even more surprising and unexpected was the ultimate purchase of Channel and the Central Region for $250 million by Berger, who previously had not factored as a major buyer.

With the acquisition, Berger took the new 201-unit company private.

Kossar buys HQ

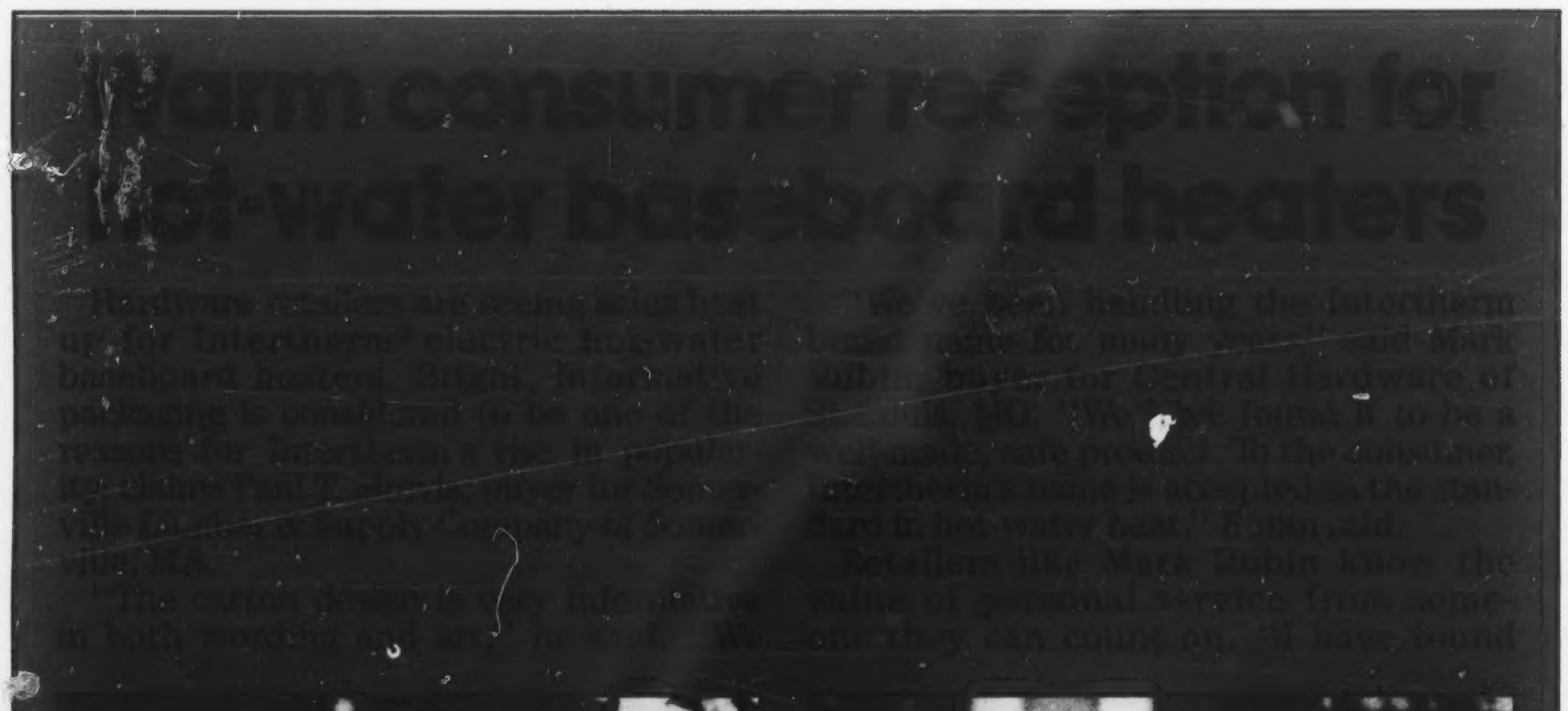
Kossar, whose name had been prominent throughout the divestitures as the possible inheritor of all 340 units, bought the four-unit Home Quarter's warehouse chain in Virginia Beach, Va., for $10 million.

In both sales, Grace will retain some ownership. In Home Quarter, Grace will hold approximately a 25 percent stake; in the new Channel Home Centers Incorporated, approximately one-third.

Top in Number of Stores

Rank	Company	Stores
1	Wickes Cos., Santa Monica, Calif.	397
2	84 Lumber, Eighty-Four, Pa.	373
3	Lowe's Cos., North Wilkesboro, N.C.	300
4	Grossman's, Braintree, Mass.	272
5	Channel Home Centers, Whippany, N.J.	201
6	Payless Cashways, Kansas City, Mo.	181
7	Carter-Jones Lumber, Kent, Ohio	146
8	Lanoga, Seattle	135
9	Aubuchon Hardware, Westminster, Mass.	132
10	Scotty's, Winter Haven, Fla.	131
11	Pay 'N Pak, Kent, Wash.	107
12	Sutherland, Kansas City, Mo.	96
13	Builders Square, San Antonio, Texas	87
14	Diamond Lumber, Sacramento	86
15	Copeland Lumber Yards, Portland, Ore.	75

Source: Company data; *NHCN* research; *NHCN* chart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Builders Square ends '86 as top warehouse firm

By an NHCN staff editor

SAN ANTONIO — Opening nearly a store a week, Builders Square exceeded its expansion projections last year to end 1986 as the top warehouse operator with 87 outlets, and the industry's seventh-largest chain.

At times, the store growth must have even confounded management. The company opened seven new stores on a single day in late May, possibly an industry record.

$700 million in '86 sales

Some industry observers speculated that Builders Square would have reached a billion dollar sales volume by year's end when it picked up 12 former Mr. HOW units and four un-built Mr. HOW locations in late August.

As it turned out, sales hit $700 million for 1986, a jump of about 47 percent over its 1985 performance of $365 million.

But with 35 new stores on tap for 1987, which would bring the company some 122 units—nearly twice that of the Home Depot—it's a foregone conclusion the K mart subsidiary will easily break the billion dollar sales barrier by year's end.

True to its aggressive image, Builders Square has already raised eyebrows in 1987 by moving to the backyard of the company that started the warehouse phenomenon, the Home Depot.

In January, the company announced plans to open two Builders Square units in Atlanta by this summer. It is also renovating a K mart into a Builders Square in that city, and is negotiating for still another store there.

In the same vein, Builders Square is exploring the possibility of opening somewhere in the Northeast, Denny said.

Within the expansion is a little contraction. Frank Denny, the chain's president, pointed out that the company has reduced its sku's by 8,000 to 24,000 items, the result of a "natural evolution."

Top Gainers in % of DIY Sales

Rank	Company	% Change
1	Builders Square, San Antonio, Texas	92
2	Mr. Goodbuys, Philadelphia	67
3	HomeClub, Fullerton, Calif.	64
—	Plywood Minnesota, Minneapolis	64
5	Alexander Lumber, Aurora, Ill.	54
—	Gerrity Building Centers, Meredith, N.H.	54
7	Seigle's Home Centers, Elgin, Ill.	53
8	The Home Depot, Atlanta	44
9	Handy Andy, Gurnee, Ill.	42
10	Lezzer Lumber, Curwensville, Pa.	40
11	National Home Center, Springdale, Ark.	39
12	P. F. O'Connor, Providence, R.I.	38
—	Wickes Cos., Santa Monica, Calif.	38
14	Erb Lumber, Birmingham, Mich.	31
15	Pergament Home Centers, Melville, N.Y.	30

Source: Company data; *NHCN* research; *NHCN* chart

Top Gainers in Store Count

Rank	Company	Store Increase (in units)
1	Wickes Cos., Santa Monica, Calif.	122
2	Builders Square, San Antonio, Texas	57
3	Lowe's Cos., North Wilkesboro, N.C.	18
4	Erb Lumber, Birmingham, Mich.	16
5	Payless Cashways, Kansas City, Mo.	12
6	Sutherland, Kansas City, Mo.	11
7	HomeClub, Fullerton, Calif.	10
—	The Home Depot, Atlanta	10
9	Handy Andy, Gurnee, Ill.	8
10	Hechinger, Landover, Md.	7
—	McCoy's, San Marcos, Texas	7
—	Scotty's, Winter Haven, Fla.	7
13	ACO, Farmington Hills, Mich.	6
—	National Hardgoods Dist., Stoughton, Mass.	6
15	Westlake Ace Hardware, Moberly, Mo.	5

Source: Company data; *NHCN* research; *NHCN* chart

Sutherland expands in South, increases sales by 5% in 1986

By an NHCN staff editor

KANSAS CITY, Mo. — Expansion into the Southern part of the U.S., a successful new ad program that may be extended to several of its markets, and the initial development of a new retail computer system were the highlights in 1986 for Sutherland Lumber.

Most growth in South

Sutherland, the industry's ninth largest home center chain, saw its sales increase by around 5 percent to $605 million. The company embarked on an expansion drive that increased its store count by 11 units to 96.

According to Dwight Sutherland, one of the six family partners who run the business, most of that growth was in the Southeast and Southwest, where the company intends to add at least two more stores this year.

Sutherland also noted that the chain experimented with a new ad promotion, known as the "Yellow Sheets" in its stores in Oklahoma that featured special pricing on a variety of items. "The program was successful and we could be trying it in other markets this year," he said.

Earlier last year, Sutherland Lumber hired Bill Bryan as its new Electronic Data Processing manager, who informed *NHCN* that the chain was beginning to roll out a new computer system, with between 15 to 20 stores having gone up on perpetual inventory control by June, 1986.

Company officials confirmed that other stores in the chain would get this system, although it could not be determined how many had had it installed by the end of last year.

84 Lumber returns to roots, goes after contractor sales

By an NHCN staff editor

EIGHTY FOUR, Pa. — 84 Lumber, the industry's second largest chain in store count, grew only marginally in 1986.

Its sales increased by only 4.8 percent to $683 million, making 84 Lumber the eighth largest sales chain in the home improvement industry. But the chain had a net gain of only two stores last year.

Last month, the company opened its 374th store in Maysville, Ky. According to director of public relations Jay Mitchell, 84 will concentrate any future store growth in existing markets. "We're keeping our cluster concept alive," he said.

The company has also been reducing the size of its existing units from an average of 15,000 square feet in 1985 to around 10,000 square feet. Mitchell explained that this coincides with 84's new "Back to the Future" celebrating its 30th anniversary in 1987, during which the company will be moving back towards its traditional contractor customers.

He expected the percentage of sales it gets from DIY transactions—currently 60 percent of the total—will drop off in 1987 due to this strategy.

The company began experiencing intensified competition near its headquarters in Pittsburgh, where it operates 20 stores. Hechinger and Busy Beaver have forced 84 Lumber to become more alert to market conditions, but Mitchell said the chain would be able to compete against all comers "with pricing."

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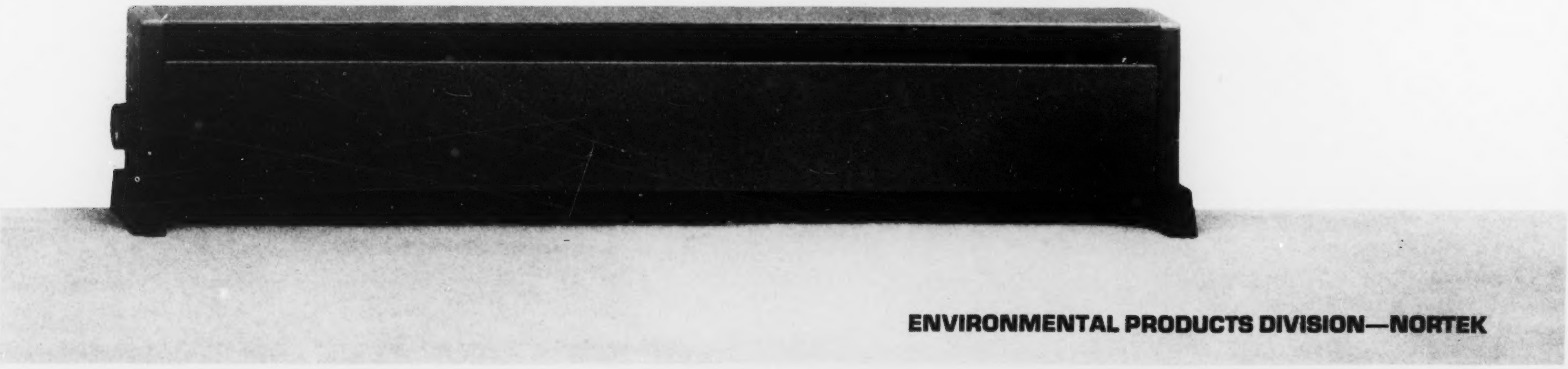

ENVIRONMENTAL PRODUCTS DIVISION—NORTEK

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Rickel adds 9 stores in '86 following several slow years

By an NHCN staff editor

SOUTH PLAINFIELD, N.J. — Rickel Home Centers saw its sales grow by more than 8 percent to $416 million in 1986, as the industry's 11th largest chain added nine new stores and plans to expand by another six this year. This expansion comes after a few slow-growth years for the chain.

"We were moderately successful [in 1986], considering that it was not exactly a banner year for consumer demand," noted John Henry, Rickel's vp-finance.

A good portion of the company's success was, no doubt, attributable to its new dedication to consumers that included a retrofit program that began last year to convert its stores to what company president Chuck Davis calls "The New Rickel": placing greater emnphasis on a higher-end merchandise presentation. The concept was most prominently revealed in Rickel's Glen Burnie, Md., store.

This 55,000-square-foot unit, which will serve as a prototype of sorts for further retrofits, includes limited use of steel racking and a greater mix of accessories and impulse items.

Rickel also starting rolling out its new computerized POS system that takes purchase orders from vendors and Rickel's 800,000-square-foot distribution center and downloads them to individual stores.

In addition, Rickel began implementing a number of in-store customer services designed to improve its public image. These included adding 88 new cash registers chainwide to speed consumer sales; the development of a new rebate program; the offering of new lost-cost finance for consumers making big purchases; a new tool rental program; and a "Red Cap" service to help people get their products to their cars.

As the company continues to expand, it will be able to keep expenses down as its experiments with utilizing a pre-engineered corrugated steel building, whose construction in Johnson City, N.Y., last summer cut Rickel's new store costs by 15%. This store, though, will be used primarily in less-populated markets.

A number of these changes appeared to coincide with the 47-year-old Davis' elevation to Rickel's chief executive officer slot at the beginning of the year. Davis replaced Stanley Abramson, who retired.

Rickel continues to enjoy the strong backing of its parent, Supermarkets General, which in 1986 earmarked 15% of its $200 million capital expenditures for the chain's growth. This is why there is major concern among Rickel officials over the prospect that Supermarkets General is currently a takeover target of the

Hechinger steps up expansion plan

By an NHCN staff editor

LANDOVER, Md. — Hechinger wrapped up 1986 with 61 stores, up from the 54 units it operated at the end of the previous year.

Revenues for the industry's 10th biggest chain came to $588 million, representing an increase of 23 percent over 1985.

The chain launched a $16 million drive last year to remodel its stores—traditional and warehouse units alike—into a prototype called "the new Hechinger." The prototype includes the best of the company's warehouse and traditional stores.

The renovations would come to $300,000 to $500,000 for each store, according to the company.

The stores will have the 40,000 stockkeeping units of the chain's traditional stores, rather than the 25,000 sku count of the warehouse units the company had built.

Early in 1987, the chain announced it was rolling out a new interior decorator service in all of its future stores. New stores also include a gray and red color scheme, and an upscaled housewares department.

Last month, Hechinger raised $142.1 million in a new public debt offering to fund a major expansion drive over the next 24 months.

The drive includes a new distribution center in Charlotte, N.C. and about 28 new stores in its old markets, as well as in six new markets.

Hechinger also confirmed it was looking for a DC in the Northeast.

Hechinger moved into the South Carolina market for the first time in October with a 70,000-square-foot unit in city of Greenville.

Scotty's battles expanding Fla. competition

By an NHCN staff editor

WINTER HAVEN, Fla. — In the last five years, the amount of retail selling space in Scotty's markets has doubled, according to Harold Taylor, senior vp-secretary of the 137-unit retailer, based here.

And that doesn't include the discount retailers like K mart and Wal-Mart, he said.

At the same time, sales at the company have risen 7 percent during calendar year 1986 to $507 million. This total dropped Scotty's out of the top 10 home centers list.

In 1986, Scotty's executives announced that the company would be scaling back on its new store expansion program because of its impact on profitability. And it also closed some old stores in markets where replacements would be or are being built.

Even with the cutbacks, Scotty's remained determined to add 10 percent more square footage. Most recently, it opened a 49,000-square-foot store in Port St. Lucie, Fla. This is the only format Scotty's is pursuing for its home centers, Taylor said.

Last year, the retailer also determined that its experiment with its hardware store format was successful and has permanently incorporated it into the company's store mix.

The retailer also expanded the merchandise mix at the hardware stores to include such items as fish and tackle supplies, stationery, greeting cards, camera film and candy.

Through the end of the 1986 Scotty's had a total of 131 stores, 108 full line home centers totaling 4.5 million square feet, or an average of 31,700 square feet per store. It had 21 hardware stores totaling 180,718 square feet, for an average of 8,600 square feet per unit, and two factory outlets.

Curently, Scotty's has 17 hardware stores and plans to have about 30 by year-end, said Taylor.

Scotty's is undergoing some modifications, the most notable of which is the 49,000-square-foot format. And recently, Scotty's announced that it was testing a program of larger lawn and garden departments in seven of its home centers.

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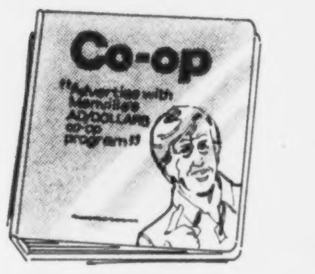
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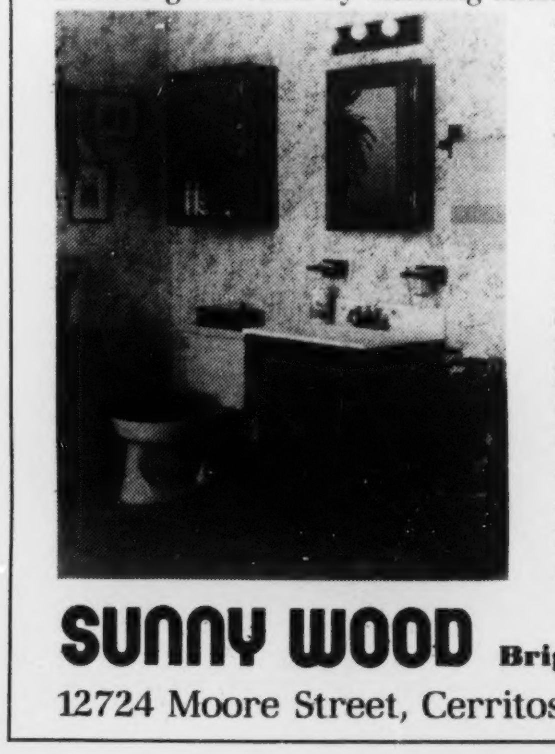
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Zayre optimistic after rocky HomeClub acquisition

By an NHCN staff editor

FULLERTON, Calif. — HomeClub's transition from an entrepreneurial-style operation to a professionally managed company went through a rocky year under the leadership of parent Zayre Corp.

HomeClub, the industry's 13th biggest chain with sales of $410 million last year, merged with Zayre on Nov. 19, 1985, when it was a two-year-old, 14-unit California-based membership warehouse home improvement chain. The deal cost Zayre almost $150 million.

HomeClub founder and president Robert McNulty, 39, was replaced last summer by Herbert Zarkin, 47, a veteran Zayre Stores executive. Zarkin stepped up from executive vp, marketing and real estate for Zayre stores.

Zayre officials have hinted that the HomeClub acquisition has been a troubling experience. They said HomeClub's below-plan second quarter results, for example, dragged earnings down for the entire company. But, on-the-record, they are positive.

Zayre officials believe that homeowner-oriented, cash-and-carry HomeClub—operating 100,000-square-foot warehouses at 21 percent profit margins—is a long-term winner. They say it is a complementary business to their also-fledgling BJ's Wholesale general merchandise membership warehouse chain.

On Sept. 15, Zayre Stores' senior executive vp John Levy was named to the newly created post of corporate executive vp in charge of both membership clubs. His task is to dike the red ink flow which has seen BJ's and HomeClub together suffer $11.9 million in losses on $909.9 million sales for the fiscal year ended Jan. 31.

HomeClub's low-margin, no-frills, Price Club-like approach to the home improvement business has made it one of the toughest competitors in the West Coast DIY marketplace.

HomeClub established its marketplace niche under the leadership of McNulty. HomeClub ended 1986 with the addition of 10 new warehouses, raising its chainwide total to 28. In an unprecedented DIY industry grand-opening blitz, half of those units were opened on the same day—June 26—at five California locations. HomeClub also entered new markets in Seattle and Denver last year.

With a number of its newer stores being open for only part of 1986, HomeClub's officials are confident that the chain's annualized sales will pass the $1 billion threshold in 1987.

Expansion plan affects Pay 'N Pak's 1986 earnings

By an NHCN staff editor

KENT, Wash. — Pay 'N Pak Stores, which operates 107 units in 17 Western and Midwestern states, posted a 30.4 percent decrease in earnings to $5.7 million on sales that rose 19.4 percent to $398.4 million for the latest fiscal year.

In the fourth quarter ended Feb. 28, 1987, earnings were $1.13 million on sales of $83.1 million compared with earnings of $1.3 million on sales of $74.5 million for the same year-earlier quarter.

During 1986, Pay 'N Pak, the industry's 14th largest home center chain, opened new warehouse stores in Indio, Calif., and Bremerton, Wash., closed a store in Milwaukie, Ore., and either replaced or converted 10 existing stores to its modified warehouse format.

David J. Heerensperger, chairman and ceo, said the company posted a net increase of 8 percent in selling space last year.

"While earnings were off for the quarter and the year, we have completed most of our expansion program which has increased the average store size by 33 percent in just three years," he said.

"This expansion, along with difficult competitive conditions, has severely impacted earnings during the past three years. With substantially all of our expansion costs behind us, and higher gross profit margins being realized, we look forward to a year of improved profitability."

Last month, Pay 'N Pak was the subject of a takeover bid from a private investor, Paul Bilzerian. He offered $171 million for the company.

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Lanoga centralizes merchandising efforts to boost sales

By an NHCN staff editor

REDMOND, Wash. — The major development in 1986 at Lanoga Corp., the contractor-dominated and rural-market-focused operator of 135 stores in 11 states, was the opening of a corporate merchandising and marketing office in this Seattle suburb.

Named to head the corporate merchandising department was former Pay 'N Pak executive vp Monte A. Leen. Leen's goal is to boost Lanoga's DIY-oriented sales and profits through the centralization of both marketing and purchasing efforts.

Last year, Lanoga's total volume from three chains was off 4 percent to $322 million, half of which coming from contractor transactions. These sales placed Lanoga as the industry's 17th biggest company.

Leen's newly created job title at Lanoga is vp-marketing and merchandising. Three merchandisers and an advertising manager are reporting to him.

The new office was intended to de-emphasize autonomous merchandising decisions now made by executives at the three Lanoga chains—the 108-unit United Building Centers; 11-unit Spenard; and 16-unit Lumbermen's.

"In the past, Lanoga's three divisions negotiated most vendor programs individually," then-president Theodore T. Tanase said in a statement issued last November. "This process was supervised by the Lanoga merchandising council comprised of the director of marketing from each of the divisions and Lanoga. This worked well, but we see an opportunity to leverage Lanoga's buying power."

Lanoga's divisions include the 108-unit, Minnesota-based United Building Centers, 11-unit Spenard Builders Supply in Alaska and 16-unit Lumbermen's in Washington and Oregon.

Leen said that eventually the chainwide in-store presentation will be "more compatible" in terms of decor, merchandise assortment and "standardization of products."

"We will be doing planograms that will apply to a fair share of the stores in all divisions," he said. "We will adapt programs to fit the wide variety of store sizes. Some divisions will take a program and shrink it down further."

In more recent developments, Lanoga's management has become a revolving door. Tanase, ceo of Lanoga since 1981, resigned in late February of this year. Also, early this year, Susan McNab, vp-personnel, resigned to join Ernst Home Centers in a similar position.

In personnel moves last year, Bill Matthews, Lanoga's director of marketing and merchandising since January 1982, resigned, joining three-unit Builders Supply Home Centers, Palm Springs, Calif., in mid-November, as executive vp and coo.

Lanoga's corporate offices, formerly situated in the landmark downtown Seattle Norton high-rise office building, relocated along with the merchandising staff into a larger Redmond office complex in February of this year.

The new headquarters are located a half block from a 2 ½-year-old, 30,000-square-foot Lumbermen's outlet which will serve as the flagship prototype for future Lanoga stores, Leen said.

Diamond gets aggressive after turbulent '86

By an NHCN staff editor

CARROLLTON, Tex. — Diamond Lumber went through a tumultuous 1986, during which it faced sporadic cash flow shortages and was forced to shutter unprofitable stores.

But despite its travails the 86-unit chain also set out on a more aggressive merchandising and marketing track, and showed interest in becoming a national operation.

Diamond, the industry's 16th largest operation, enjoyed a modest 3.9% increase in sales in 1986 to $338 million. But it also reduced its store count by 10 and, through last month, has further reduced that count to 75 stores in recent months.

Early in the year, the company ran into some problems paying its bills until it was able to secure $10 million in additional credit from its parent, Michigan General, which has been having its own problems lately and recently announced that its own existence is precarious if it isn't able to reduce its debt burden.

Diamond's own profitability has sagged in the past two years. (Through August, 1986, 55 of Diamond's then 94 outlets had lower operating income than over the same period in 1985.)

However, company president Harlon Seats (who arrived in late 1985) and his staff—to which former Payless Cashways executives Larry Morrissey, Doug Berard and Eric Peterson were added last year—didn't sit still waiting for things to improve.

Starting on January 30 of last year, Diamond kicked off its first nationwide media blitz under the working theme of "We Bring Out The Builder in You."

The company opened a 35,000-square-foot distribution center in Sacramento, Calif., as part of establishing a national purchasing program and stripping up to 40 percent of all orders away from manufacturer's representatives. However, Seats observed that the company's entire distribution network had been in disarray and needed to be revamped.

But perhaps most important has been Diamond's attempt to squeeze more DIY sales out of its stores through improved pricing and product assortment and by expanding existing units.

These "destination stores," as Seats refers to them, could be as large as the 17,000-square-foot unit the chain retrofitted last summer in Kansas City, Mo. (Diamond's stores average only around 5,000 square feet currently.)

Other in-store improvements included the testing of a point-of-sale computer system that was expected to be installed chainwide, at a cost that would exceed $4 million, this year.

It should be noted that Diamond's future is still in question. It needed a capital infusion again after running into the cash flow problems briefly earlier this year. And Michigan General's faltering status could change everything.

Menard posts modest sales & store growth

By an NHCN staff editor

EAU CLAIRE, Wis. — It was a year like any other year for Menard Cashway. Modest expansion, acquisition rumors, continued sales growth, aggressive advertising and problems with the law.

Menard's, which opened stores in Duluth and Apple Valley, Minn., last year, posting estimated 1986 sales of $380 million, a 9 percent gain over 1985. This ranks Menard's 15th among home center chains.

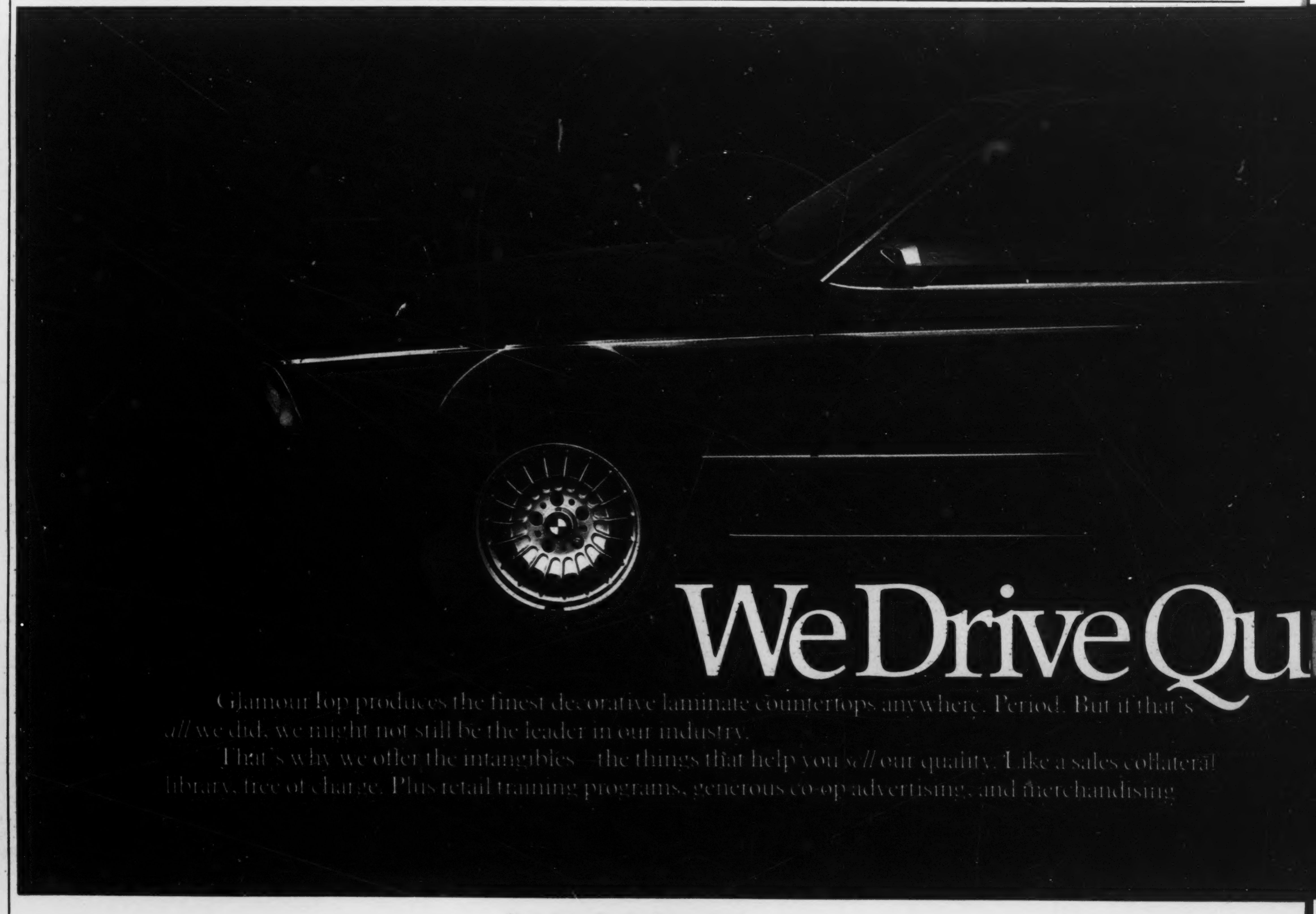
Last winter, taking the cue from a television shopping survey of home centers in Minneapolis-St. Paul, Menard's took out a full-page ad touting its lowest prices. The ad and survey angered another Twin Cities retailer enough to pull its advertising from the TV station sponsoring the survey.

It was a hot summer in 1986 for Menard's. It was prominently mentioned as making bids for three Knox Lumber locations and as many as five former Mr. HOWs in Chicago.

Chain president John Menard said he was looking to acquire Knox Lumber locations in Fargo, N.D., Sioux Falls, S.D., and Duluth, Minn., but said Knox's asking price held up the acquisition. Menard's efforts were eventually stymied when Payless Cashways snapped up the entire 10-unit Knox chain last October for $24 million.

Probably because of high lease costs, Menard's bowed out of interest in the hotly competitive Chicago market, leaving the Mr. HOW properties to the more acquisition-aggressive Handy Andy.

The summer ended on a second down note for the chain, when a Wisconsin Circuit Court Judge ordered Menard's to pay a $22,400 fine for violating Wisconsin's deceptive advertising laws.



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Ernst record year may signal return to public ownership

By an NHCN staff editor

SEATTLE — Ernst Home & Nursery generated record sales increases as well as three straight quarters of profitability during a turnaround year driven by new advertising, merchandisng and employee incentive programs.

A 19 percent jump in sales to $310 million kept Ernst in the 18th position among major home center chains last year.

The privately held, 73-unit chain had lost money in the two previous years, and posting a profitable year may signal an effort to return Ernst to public ownership.

The chain was taken private in October 1984 in a deal engineered between former Ernst parent Pay 'N Save and the New York-based Trump Group, controlled by Julius and Eddie Trump.

A major factor contributing to the improved results was a sales incentive program for the chain's 3,000 employees which was implemented by Hal Smith, the chain's president and ceo. In the program, up to 1½ percent of sales at store level were given back to employees as bonuses.

As the year progressed, the incentive program was expanded to include a bonus to stores that were able to raise their gross profit margins.

Smith was recruited to join Ernst as president and ceo in early March 1986 from Irvine, Calif.-based Builders Emporium, where he also was president and ceo.

Smith said that although Ernst is aware of the low-margin warehouse format entering its Pacific Northwest markets, it is focusing on merchandise and programs that offer "margin opportunities in categories that warehouses have a hard time doing."

Also, Ernst restructured its prices on basic competitive price-sensitive items in order to further its position as the dominant chain in the Northwest.

To further differentiate itself and increase its overall home improvement business, Ernst late in the year implemented a new program offering installation of several big-ticket categories as well as special order capabilities and signed an agreement for a franchise contractor firm, Mr. Build, to provide the labor for all related projects.

West's moderate figures mask behind-the-scenes action

By an NHCN staff editor

ATLANTA — West Building Materials spent a good deal of its efforts last year in constructing new stores larger than 75,000 square feet, and closing down some of its smaller units that were not performing to the company's standards.

The company achieved revenues of $260 million last year, up by 4 percent from results in 1985.

And it wound up 1986 with 64 stores. That's the same number it operated at the end of the previous year.

The conservative numbers, however, mask a lot of the action going on behind the scenes at West.

Much of that action has centered around picking up stores from other companies and converting them into its "super store" concept.

Last month, for example, the chain opened an 84,000-square-foot "super store" in a former Belk Department Store in Brunswick, Ga.

That a company would build such a large store in a small market reflects the apparent success the firm has achieved with its large format concept. This concept, although introduced several years ago, was rolled out most actively last year.

One of the most dramatic of such instances was the purchase of a 100,000-square-foot former Sears unit in Montgomery, Ala., last year. Again, this became a West super store. It could not be ascertained how much of this site would be used for West's new store, though.

The company also purchased a former car dealership in Anderson, S.C., and converted the 30,000 square foot unit into a super store.

Other takeovers and conversions occurred in Ft. Walton Beach, Fla.; Pensacola, Fla.; Panama City, Fla.; and Tuscaloosa, Ala.

West also increased its Atlanta presence with a new unit in the northeast suburb of Lawrenceville, Ga.

The company continued its policy of arranging for test programs, of 90-day duration, with vendors for some new products. And the firm has also continued to roll out its point of sale terminals, hooked up to an IBM computer which it purchased in 1984.

Pergament plans to open larger replacement units

By an NHCN staff editor

MELVILLE, N.Y. — Better advertising, merchandising and business practices are behind the 30 percent increase in sales last year achieved by Pergament Home Centers, the industry's 19th largest chain.

According to company vice president Martin Pepkin, the retailer with 42 units in the metropolitan New York market, recorded sales last year of $260 million, all of which coming from DIYers.

Pergament opened just two stores last year, in Riverhead and Peekskill, N.Y., both warehouse units, and anticipates opening five stores this year.

The 1987 store opening schedule will include new and replacement stores, all of which will be warehouse-type units, said Pepkin.

So far, Pergament will open new replacement stores in Patchogue and Port Jefferson, N.Y., and hopes to replace its units in Nanuet and Spring Valley, N.Y., as well.

The replacement stores are part of the company's program to replace its smaller units with larger, more modern stores.

Expansion is still targeted for the Hudson River Valley region of New York State; Connecticut; and New Jersey.

This year Pergament will experience two new competitive challenges. Both Hechinger, based in Landover, Md., and Mr. Goodbuys, out of Philadelphia, will open units on Long Island in New York. And Pergament is preparing for these two events.

While Pergament has dedicated much time and effort into expanding the size of its stores, from an average of 30,000 square feet in 1985 to 35,000 square feet in 1986, Pepkin reported that the total stockkeeping unit count has remained constant at about 30,000 sku's. The mix, however, has been refined to include more furniture, flooring, electronics, housewares, seasonals and general merchandise.

Central purchases signal end of 3-yr. expansion lull

By an NHCN staff editor

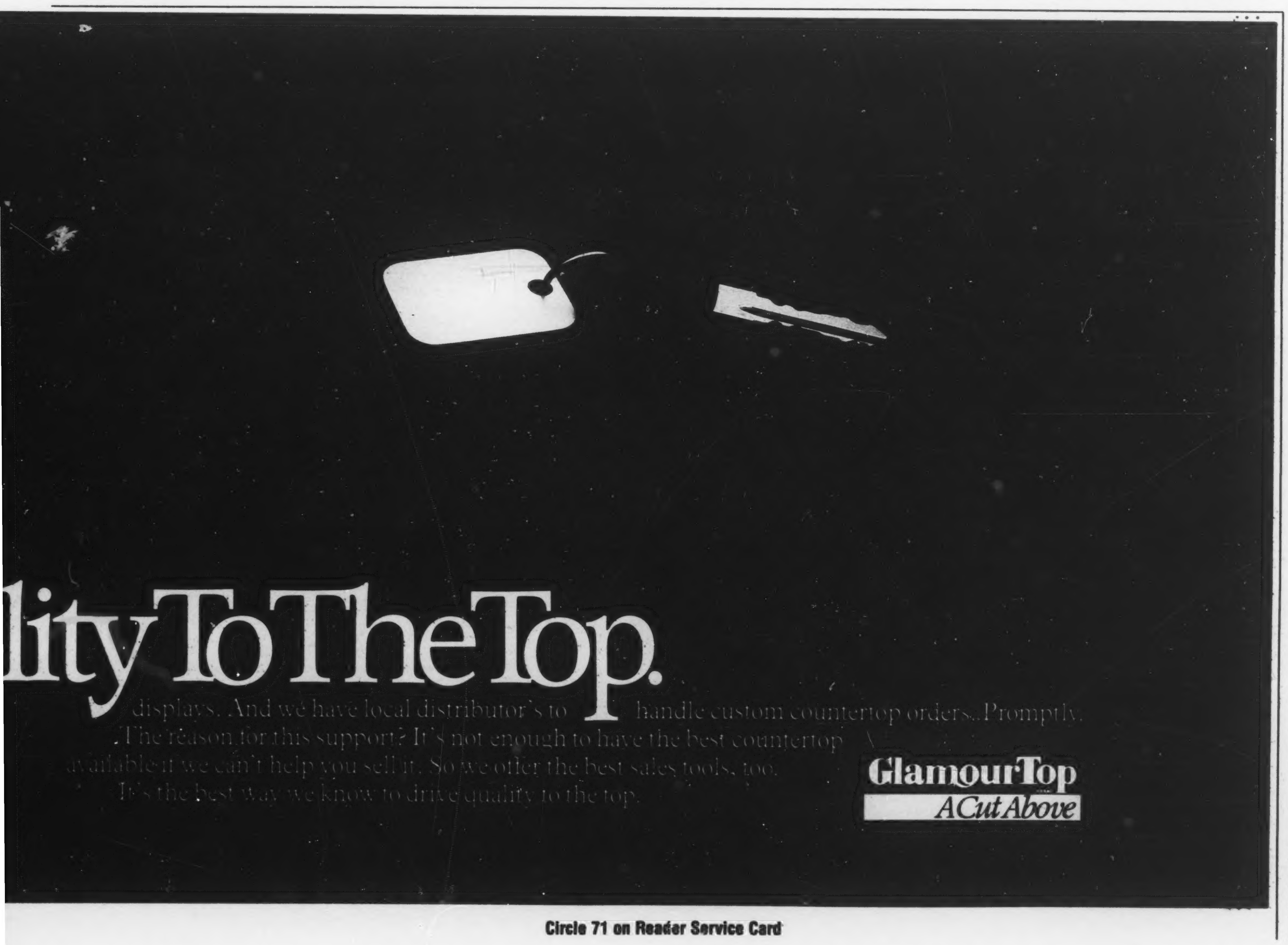
BRIDGETON, Mo. — Central Hardware came out of a three-year expansion lull with the news that it had purchased four Mr. HOW locations.

Central, with flat estimated 1986 sales of $270 million, picked up leases of two stores and purchased two parcels of land of Mr. HOW locations, two each in Cincinatti and Nashville. The late 1986 purchase and 1987 reopenings increased the chain size from 31 to 35 units in the Midwest.

The Nashville acquisitions were the chain's first venture into that market and could set the stage for additional units.

"We are in a good position," said Central President Jim Cohen, "for expansion and looking for opportunities. If they present themselves, we can take advantage of them," he said.

While there were no formal remerchandising plans, Cohen said there was an ongoing upgrading to the stores, keeping them abreast of marketing and merchandising trends.



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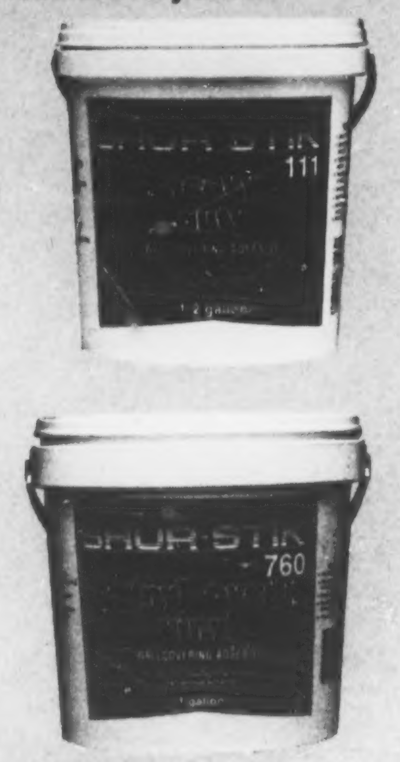

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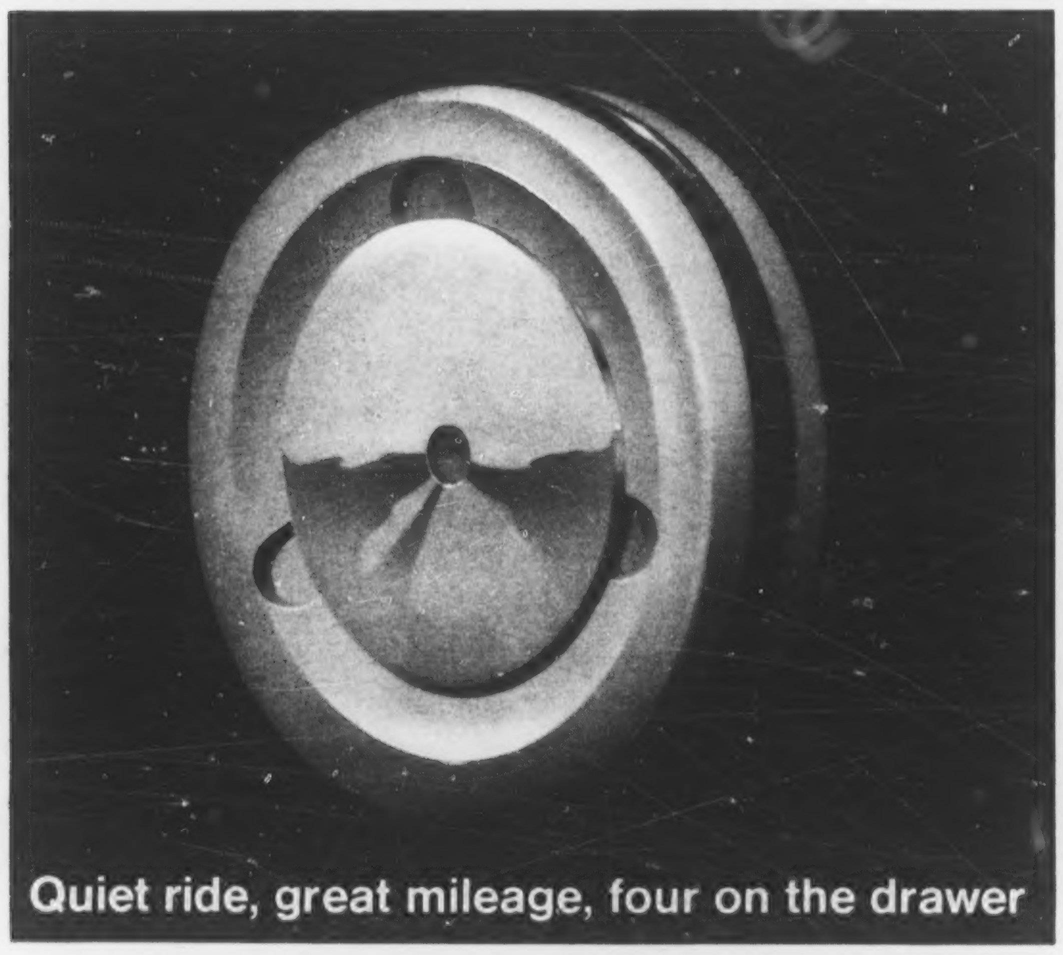

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Perspectives

Carter sales down as competition continues to mount

By an NHCN staff editor

KENT, Ohio — Carter Lumber ended 1986 with 146 stores, the same number it operated at the end of the previous year.

Revenues came to $210 million, up 5 percent over 1985 results. It is the 23rd largest home center chain in the industry.

The 1986 results reflect somewhat of a slowdown over 1985. That year, Carter's revenues topped $200 million, a 21 percent increase over the previous year. And its store count increased by four.

Carter made no remarkable acquisitions in 1986. Its last such move occurred with the purchase of Z&L Lumber in 1984.

The company feels the market environment is favorable for the foreseeable future.

"We have a good strong economy, and we are looking for continued growth and expansion this year," said Bryan Carter, company president.

"Builders Square and Furrows are still moving in, but they haven't affected us much yet," he added.

One wild card in the overall economy, though, is the tax reform act, Carter said.

"I see it as detrimental, taking away cash flow from the economy," Carter said. He indicated he felt the impact would show up next year.

Carter noted the law was especially detrimental to corporations, and that this may have a negative effect on business in general.

Carter operates stores with showrooms of some 8,000 square feet, and employs close to 2,000 employees chainwide.

Erb goes private after acquiring Peter Kuntz units

By an NHCN staff editor

BIRMINGHAM, Mich. — After its acquisition of Peter Kuntz Lumber last summer, Erb Lumber took the unexpected move of taking the public company private.

On July 24, 1986, Erb paid $25 million for the 21 Peter Kuntz home centers in and around Dayton, Ohio, a move that will bring Erb an estimated $60 million more in sales this year. The acquisition grew the Erb retail chain to 42 stores from 26 stores in 1985.

Erb posted sales of $249 million last year, up from the $190 million it made in 1985 prior to the PK acquisition. It is now the 22nd largest chain.

Then, last December, Erb received stockholder approval to take the company private after 16 years of trading on the over-the-counter exchange. Erb bought back the outstanding shares for $21.2 million. Financing came from a $60 million line of credit secured for ongoing operations.

The privately-held firm is under the control of Erb Lumber president Fred A. Erb and members of the Erb family.

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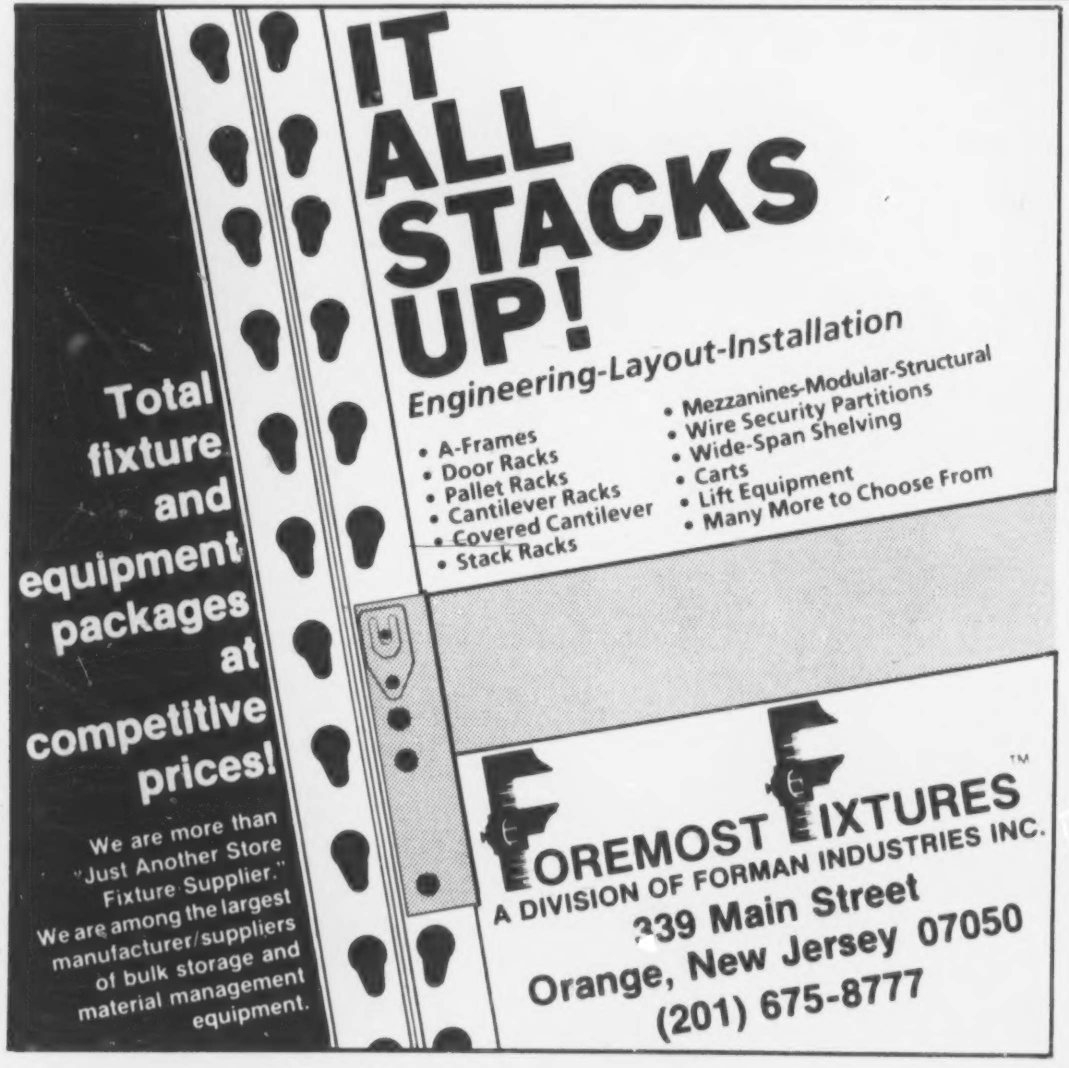

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Perspectives **annual report**

Wolohan enjoys record sales and highest income in its history

By an NHCN staff editor

SAGINAW, Mich. — Wolohan Lumber continues to rebound, as it enjoyed record sales and earnings in 1986.

The 39-unit chain's volume increased by 29 percent last year to $194.4 million, the third year in a row Wolohan's sales went up. It was the industry's 24th largest home center chain in 1986.

Net income improved by 51 percent to $5.3 million, which was three percentage points higher than the best earnings year the company ever had back in 1978.

Wolohan grew by five new units in 1986, and built two stores—in Marion, Ill., and Ashland, Ky.—to replace older units.

WOLOHAN
WAREHOUSE
KITCHENS

Flush from record sales and earnings in 1986, Wolohan is now seeking growth through acquisition. NHCN photo

Its capital expenditures in 1986 were a record $7.8 million, of which $3.4 million was used for new store construction and another $2.9 million for store relocations. In total, the chain added 193,000 square feet of selling space.

> Wolohan Lumber is now on the acquisition trail, and is looking to buy smaller retail operations.

New store openings

The company said that it plans to open between three and five units in 1987. And, more important, Wolohan Lumber is now on the acquisition trail, and is looking to buy smaller retail operations.

Wolohan also spent $218,000 to remodel three of its stores last year and another $1.4 million for "equipment and replacements," thereby completing its five-year retrofit program.

According to Wolohan Lumber's annual report, the chain's gross margins fell to 26 percent from 26.3 percent a year ago.

However, this drop was the result of liquidating about $2.3 million in slow-moving inventory, and helped the chain improve its inventory turns to 6.5 times annually, from 5 times in 1985.

Wolohan also strengthened its management team by the election last June of James Wolohan as president and chief operating officer; and Timothy Stein as vp-general merchandise manager.

Its annual report projects net income to, at a minimum, be 3 percent of sales in 1987, and to exceed the $200 million mark for the first time in Wolohan Lumber's history.

McCoy's plans first move outside of Texas in '87

By an NHCN staff editor

SAN MARCOS, Tex. — McCoy's Building Supply Centers here added seven new stores in 1986, and is looking to make its first growth move outside the state of Texas this year.

The Texas economy was not that kind to McCoy's last year, as the chain's sales dipped slightly to $191 million.

"Like everyone else, we're glad to see 1986 over," said Brian McCoy, the chain's vice president.

McCoy noted that his company did a number of consumer intercept interviews over the course of last year, and found that about 30 percent of its cash-and-carry sales were coming from builders, a higher percentage than previously estimated.

> 'Like everyone else, we're glad to see 1986 over.'
>
> **Brian McCoy, vice president, McCoy's Building Supply Centers**

"I don't think it's really all that different from the last few years; it's just that we're tracking contractor sales more closely," McCoy explained.

Next year, the company plans to add another eight stores to its chain, bringing its total to 80. McCoy did not expect there to be much difference in the makeup of its clientele.

The company's stores average around 8,000 square feet and carry 8,000 stockkeeping units, by *NHCN* estimates.

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Discounters take $10B piece of home improvement pie

By an NHCN staff editor

NATIONAL REPORT — Discount stores and mass merchandise chains continue to be significant magnets for home improvement shoppers. Despite an increase in competition from home centers, the discounters in general are not de-emphasizing their commitment to this category of merchandise.

Home centers continue to expand their market penetration while managing to maintain a "peaceful coexistence" with traditional discounters such as K mart which attract DIY customers with low prices and convenience.

Ed Weller, an analyst with Montgomery Securities in San Francisco, said discounters are not putting less emphasis on selling home improvement merchandise because of increased competition from home center retailers.

The nation's largest discounter, K mart, continues to aggressively grow its Builders Square home center chain and Weller said the Troy, Mich.-based retailer is not neglecting its home improvement sales at K mart discount stores, either.

"They are expanding their Home Care Centers where they see the opportunity," Weller said. Last year, K mart added the home center departments to 33 K mart stores, bringing the number to 320 stores out of 2,100 nationwide that have the full-fledged home improvement departments.

1½ times Lowe's sales

Sears, meantime, continues to be a major force in the home center arena, in part because of the quality and reliability of its products such as portable power tools. Industry estimates place its home improvement sales in excess of $4 billion, compared with the Sears' merchandising group's overall 1986 sales of $27.01 billion. Sears' home improvement sales, by comparison, are more than 1½ times those of Lowe's, the largest home center chain.

Mike Mangan, a spokesman for the Sears' home improvement group, said Sears "is so committed" to this product category that it plans to open 50 Sears Paint & Hardware stores this year. Sears now operates 38 Paint & Hardware stores clustered in major markets averaging 4,000 square feet each.

A major exception to growth in the home improvement category is Montgomery Ward, which has developed a strategic plan to become a value-driven specialty store chain, resulting in a substantial cutback in a number of product lines including home care and hardware.

Chuck Thorne, media relations manager, said Montgomery Ward "dropped all hardware lines entirely and most other home care and lawn and garden lines, but we kept paint and wallcoverings.

(Continued on page 80)

Census data culled from many sources

By an NHCN staff editor

NATIONAL REPORT — Data for this year's census issue was obtained from the individual companies, or estimated by *NHCN* staff when companies would not provide data. In some cases, data was culled from Dun and Bradstreet reports.

Although W.R. Grace owned its subsidiaries and stores until the end of 1986, in this census issue the results of those subsidiaries have been presented as if they operated either as independent companies or as parts of their new owners since the beginning of 1985.

In the case of Wickes Cos., total numbers for the firm have incorporated its acquired subsidiaries from the date they were acquired by the firm. Revenues for the subsidiaries themselves, which appear on the subsidiary chart, have been stated on a full-year basis. As a result, their totals will be higher than the portion of their annual revenues attributed to Wickes.

Numbers indicating averages at the bottom of the Top 150 chart have been calculated giving equal weight to the companies indicated.

For example, the average figure of 24 percent for revenue increases at the top 10 firms was calculated by adding the individual percentages of the top 10 firms, then dividing by 10. This method of calculating the average percentage change provides a useful assessment of the performance of those companies as individual entities.

An alternate method for calculating such an average would be to add all of the revenues together for the 10 firms, then comparing that number with a similar addition of all revenues for those 10 companies in 1985.

The resulting percentage (in this case 19 per cent) would provide a useful assessment of the performance of the indicated companies as a group.

Data on the productivity chart has been presented as if the individual companies operated all of their stores for the full year. Numbers will understate performance for companies that opened stores rapidly through the year or late in the year.

On the same chart, DIY sales per square foot will overstate performance of firms that make a portion of their DIY sales from outdoor lumberyards.

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Discounters take $10B piece of home improvement pie

(Continued from page 78)

"In general, we want to be competitive in the fields where we have the most strength," Thorne elaborated. "For that reason, we exited some lines in which we felt we could not become a specialist."

At Costco Wholesale Club, Seattle, Wash., Richard Galanti, chief financial officer, said that the company posted sales of $762 million at 22 stores last year, and that between 10 percent and 15 percent of its volume was from home improvement items.

He said Costco "is not cutting back at all" on the sale of home center goods, primarily because it is selling "such a limited number of items. In the items we carry, we compete effectively."

Costco products get 8 percent to 10 percent gross margins, and the chain's pricing philosophy "is not to be undersold," said Galanti. Costco has also agreed to be in shopping center complexes with Lumbermen's and HomeClubs, finding the "site coexistence" to be of benefit to both retailers.

Don Tripp, a senior vp and home improvement and garden center merchandising and operations manager at the Portland, Ore.-based Fred Meyer Inc., said that the company operates 70 of its 94 discount stores with full-line home center departments ranging from 20,000 square feet to 40,000 square feet.

He said all new stores are given the home center departments because "we're very bullish. We're expanding rather contracting. We've very committed to the business. We're devoting more space [square footage]."

At Caldor, Norwalk, Conn., Fred Robson, public relations director, said its 115 outlets devote a minor percentage of their sales floor to home improvement items—including paint, tools, wallpaper and hardware accessories. One source at the company estimated these products to account for about 5 percent of total sales volume of $1.5 billion.

At Zayre, Framingham, Mass., Stanley Berkovitz, vp-consumer affairs, said "there's no question" the retailer's 362 discount department stores "are committed to hardware departments" with an off-price philosophy on name brands such as Stanley.

Berkovitz wouldn't comment about these departments' expansion. But he indicated the company's major thrust in home improvement is in its HomeClub division, which had 28 units at fiscal year-end and is slated to open eight more stores this year.

Mass Merchandisers' and Discounters' Slice of the Home Improvement Sales Pie

(12 selected leaders in home improvement sales)

Chain	Total Sales 1986	Home Improvement	Total Stores 1986
Sears, Chicago[1]	$27.01 bil.	$4 bil.	806
K Mart, Troy, Mich.[2]	23.81 bil.	1.5 bil.	2,100
Wal Mart, Bentonville, Ark.[3]	11.9 bil.	320 mil.	980
Zayre, Framingham, Mass.[4]	5.35 bil.	785 mil.	408
Montgomery Ward, Chicago	4.37 bil.	300 mil.	295
Price Co., San Diego	2.59 bil.	259 mil.	25
Bradlees, Braintree, Mass.	1.87 bil.	80 mil.	162
Fred Meyer, Portland, Ore.[5]	1.68 bil.	200 mil.	94
Caldor, Norwalk, Conn.	1.5 bil.	75 mil.	115
Costco, Seattle, Wash.	762 mil.	80 mil.	25
Pace, Denver	602 mil.	60 mil.	25
S.E. Nichols, New York	318 mil.	35 mil.	46

Source: NHCN research and estimates

[1] Sears: Total sales is for Sears' merchandise group, including 32 Sears Paint & Hardware Stores at fiscal year-end.
[2] K mart: Includes 320 Home Care Centers and Builders Square.
[3] Wal-Mart: Store count does not include 49 Sam's Wholesale Club units.
[4] Zayre: Home improvement sales and store count include discount stores, HomeClub and BJ Warehouse Club.
[5] Fred Meyer: Includes 70 home center departments.

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Service deemed key to success for independent specialty stores

By an NHCN staff editor

NATIONAL REPORT — When it comes to home improvement sales, "everybody's our competition," said Marvin Berlin, secretary/treasurer of New York Carpet World, Southfield, Mich.

And increasingly, home center retailers are finding that their competition is coming from specialty retailers like Carpet World, and other, mostly small and locally operated stores.

NHCN surveyed a number of specialty chains in selected product categories—flooring, lighting, specialty plumbing, tools, paint and lawn and garden—and found these companies (by no means representing a comprehensive list) produced sales last year exceeding $3 billion.

What gives these dealers an edge in the market is approach to selling. "I believe that service is the key to the success of an independent specialty stores, especially in a market like ours where there's a lot of competition," said Don Cohen, president of Tool King, Denver, a seven-unit retailer that did $6 million in sales last year, 90 percent from DIYers.

Often, these specialty dealers, regardless of their annual sales, operate units as small as 3,000 square feet and as large as 10,000, offering just a few thousand items.

And with the exceptions of the paint and flooring categories, there are really no dominant, national specialty chains.

Color Tile, by far the leader in flooring, tops the list with Sears and New York Carpet World close behind. Combined, they generated more than $1 billion in flooring sales last year, according to *Modern Floor Coverings* magazine.

Despite Color Tile's market position—with 1986 sales of $416 million, 80 percent of it DIY, from 840 4,500-square-foot stores specializing in flooring and wall coverings—the Fort Worth, Texas-based firm still wasn't completely sure who its competition was last year. So it conducted a market study recently that revealed its biggest competitors to be home centers.

Modern Floor Coverings magazine reported that after Color Tile and Sears—with an estimated $306 million in flooring sales last year—New York Carpet World did $280 million in sales from 94 15,000-square-foot units. Seventy percent of the chain's carpeting sales are installed purchases.

The largest paint retailers include Sherwin-Williams, with 1,719 stores, followed by 137-unit Standard Brands Paint and Glidden, with 380 stores. Combined they posted 1986 sales of about $1.7 billion, more than half from Sherwin-

(Continued on page 90)

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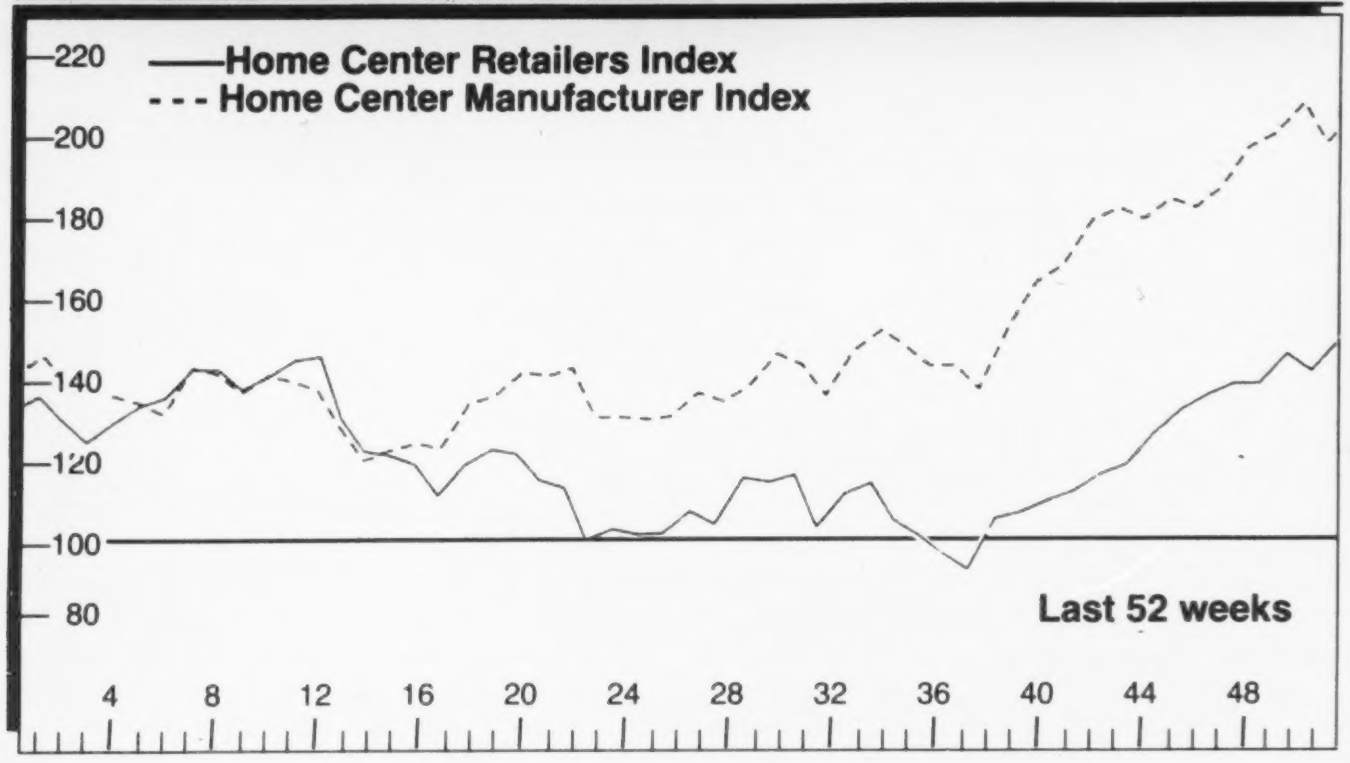
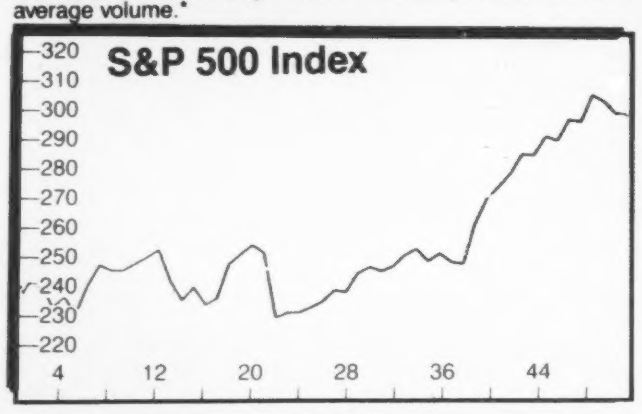


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
4-16-87	(100)	%	%
Macmillan Bloedel ..... M	33,212	206.9	- 4.1
Wickes Cos ..... A	160,860	206.8	- 14.7
Certain-teed ..... N	4,187	198.6	- 8.5
Walter, Jim ..... N	10,499	141.6	- 12.7
Masco Corp ..... N	26,925	133.7	- 13.1
Armstrng Wrld ..... N	12,734	133.6	- 12.1
Pay N Pak ..... N	14,653	130.0	3.1
Georgia-Pacifc ..... N	56,890	128.4	- 7.9
Stanline Inc ..... M	958	126.0	- 19.6
Sears, Roebuck ..... N	113,961	119.4	- 4.6

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 4-16	2-Week Price Change	Total 2-Week Volume
4-16-87	$	%	(100)
Manville Cp ..... N	2.75	15.8	8,627
Owens Corn ..... N	27.00	5.4	19,898
DeSoto Inc ..... N	40.25	3.2	491
Pay N Pak ..... N	20.88	3.1	14,653
Home Depot ..... N	29.25	.9	15,820
Insilco Corp ..... N	23.88	.5	3,830
Mor-Flo Inds ..... M	13.00	.0	43
Am Consum Prods ..... M	10.50	.0	421
SW Forest Ind ..... N	32.13	.0	2,469
Pope & Talbot ..... N	40.38	- .6	3,986

Losers	$	%	(100)
Stanline Inc ..... M	10.25	- 19.6	958
Am Standard ..... N	41.25	- 16.7	5,309
Mich General ..... A	1.38	- 15.4	3,784
Wickes Cos ..... A	3.63	- 14.7	160,860
Masco Corp ..... N	34.75	- 13.1	26,925
Walter, Jim ..... N	51.38	- 12.7	10,499
Armstrng Wrld ..... N	36.38	- 12.1	12,734
USG Corp ..... N	36.88	- 11.7	13,212
Natl Lumber ..... M	5.75	- 11.5	515
Champ Intl ..... N	37.75	- 10.4	43,784

National Home Center News.

HOME CENTER MARKET SUMMARY

	Stock Market											Financial Update																	
	Price							Volume																					
	2-Weeks Ended	2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Shares Traded		12-Week Avg. Vol.	Volume Trend	P/E	Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date					
															New		Date	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.	
Company and Market	4-16-87	Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out	Change	Ratio	Amt.	Yld.	Report	Period	Ended	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
4-16-87	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Forest City Ent ..... A	37.50	- .75	- 2.0	38.50	37.25	39.38	28.75	28	.04	.05	- 20.0	22.9	.30	.8	NEW	fiscal	01-87	39.1	- 51.7	2.5	19.0	.31	14.8	232.8	- 17.2	13.1	129.8	1.64	127.8
Grace W R ..... N	64.75	- 1.50	- 2.3	68.00	60.75	68.00	45.25	31,355	7.55	3.70	104.1	22.0	2.80	4.3	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Grossman's Inc ..... M	10.00	- .25	- 2.4	10.25	9.25	11.25	6.75	3,232	1.62	.76	113.2	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	21.50	- 1.75	- 7.5	23.50	21.00	23.59	16.00	5,191	4.75	3.72	27.7	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	21.50	- 2.25	- 9.5	23.50	21.25	23.75	16.25	709	.43	.40	7.5	23.4	.06	.3	.....	fiscal	01-87	140.3	20.1	8.7	31.8	.28	27.3	588.4	22.8	28.3	22.5	.92	17.9
Home Depot ..... N	29.25	.25	.9	30.38	28.25	30.75	15.75	15,820	5.69	3.36	69.3	32.5	.00	.0	.....	fiscal	01-87	273.9	34.5	7.7	196.2	.27	145.5	1011.5	44.4	23.9	191.5	.90	172.7
INTERCO Inc ..... N	41.50	- 3.63	- 8.0	46.50	41.13	47.63	36.63	10,843	3.81	2.57	48.2	13.3	1.60	3.9	.....	9 mos.	11-86	757.3	9.0	29.8	10.4	.94	9.3	1962.2	1.8	67.6	10.1	2.14	9.7
K mart Cp ..... N	61.25	- 6.50	- 9.6	68.00	59.13	68.00	43.25	54,999	4.13	2.40	72.1	14.1	1.74	2.8	.....	fiscal	01-87	6934.7	2.7	301.4	2770.5	2.11	2244.4	23812.4	6.2	598.7	170.7	4.35	151.4
Lowe's Cos ..... N	29.25	- 2.88	- 8.9	32.50	28.50	41.50	22.50	10,912	2.75	1.38	99.3	20.7	.40	1.4	.....	fiscal	01-87	497.4	4.6	10.0	- 11.5	.25	- 19.4	2283.5	10.2	55.1	- 7.7	1.41	- 14.0
Mich General ..... A	1.38	- .25	- 15.4	1.75	1.38	4.63	1.00	3,784	2.12	1.08	96.3	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	9.00	- .50	- 5.3	9.50	8.75	10.00	5.69	442	3.59	1.67	115.0	21.7	.00a	.0	.....	9 mos.	10-86	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber ..... M	5.75	- .75	- 11.5	7.00	5.75	7.50	4.00	515	.91	.93	- 2.2	NE	.00	.0	.....	*	10-86	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak ..... N	20.88	.63	3.1	20.88	19.75	20.88	9.50	14,653	14.65	6.37	130.0	36.6	.40	1.9	.....	fiscal	02-87	83.2	11.7	.4	- 69.2	.04	- 69.2	398.4	19.4	5.7	- 30.5	.57	- 30.5
Payless Cash ..... N	24.38	- 1.50	- 5.8	26.13	23.50	27.50	15.88	8,466	2.44	1.94	25.8	19.5	.16	.7	.....	3 mos.	02-87	332.1	21.0	3.5	45.8	.10	42.9	332.1	21.0	3.5	45.8	.10	42.9
Scotty's Inc ..... N	12.88	- 1.25	- 8.8	14.50	12.63	18.13	12.00	1,518	1.05	.77	36.4	15.9	.52	4.0	.....	6 mos.	12-86	125.6	4.1	2.4	- 14.3	.16	- 15.8	244.3	5.8	4.0	- 28.6	.27	- 30.8
Sears, Roebuck ..... N	51.88	- 2.50	- 4.6	56.00	48.25	56.00	39.00	113,961	3.05	1.39	119.4	14.3	2.00	3.9	NEW	fiscal	12-86	13410.3	7.5	543.0	- 1.7	1.45	- 3.3	44722.1	8.7	1351.3	3.7	3.62	2.5
Svc Merchandise ..... M	6.25	- .38	- 5.7	6.63	5.63	14.75	5.63	18,744	5.63	3.81	47.8	NE	.08	1.3	.....	fiscal	12-86	1114.1	.8	21.9	- 24.7	.66	- 24.1	2527.3	.0	(46.9)	- 100.0	(1.41)	- 100.0
Std Brd Pnt ..... N	22.50	- 2.50	- 10.0	26.00	22.13	27.00	19.38	3,639	3.24	2.60	24.6	16.9	.58	2.6	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Supermkts Gen ..... N	41.00	- 3.63	- 8.1	44.13	39.75	45.75	22.50	58,761	15.25	7.17	112.7	25.6	.28	.7	.....	fiscal	01-87	1434.5	5.8	19.1	- 11.6	.50	- 16.7	5507.9	7.5	60.9	- 4.4	1.60	- 10.1
Wickes Cos ..... A	3.63	- .63	- 14.7	4.38	3.50	6.63	3.25	160,860	6.78	2.21	206.8	12.9	.00	.0	.....	fiscal	01-87	1408.3	NC	4.4	- 79.0	(.02)	- 100.0	4770.0	70.0	73.9	81.6	.28	154.5
Wolohan Lumber ..... M	12.38	- .63	- 4.8	12.88	11.88	13.25	7.50	2,795	4.77	2.47	93.1	13.8	.20	1.6	.....	fiscal	12-86	52.5	40.4	1.7	30.8	.29	31.8	194.4	29.0	5.3	51.4	.90	50.0
Zayre Corp ..... N	25.88	- 2.50	- 8.8	29.13	24.88	43.88	20.75	22,402	3.80	2.77	37.2	16.7	.40	1.5	.....	fiscal	01-87	1777.0	32.4	43.8	20.3	.73	17.7	5350.6	32.6	92.4	- 2.3	1.55	- 4.3
Wholesalers																													
Moore Handley ..... M	9.00	- .25	- 2.7	9.75	8.75	19.25	6.75	109	.43	1.20	- 64.2	17.6	.00	.0	.....	fiscal	12-86	20.7	19.7	.2	.0	.07	- 36.4	85.1	23.0	1.2	71.4	.51	13.3
Lewis Palmer ..... M	9.38	- .50	- 5.1	9.63	9.13	9.88	7.25	1,698	4.33	2.78	55.8	28.4	.28	3.0	.....	fiscal	01-87	46.8	53.9	.1	.0	.02	100.0	187.2	33.0	1.3	44.4	.33	43.5
Stanline Inc ..... M	10.25	- 2.50	- 19.6	11.38	10.25	12.75	7.84	958	5.65	2.50	126.0	10.6	.32b	3.1	.....	3 mos.	01-87	14.0	4.5	.3	.0	.20	33.3	14.0	4.5	.3	.0	.20	33.3
Manufacturers																													
Allegheny Int ..... N	24.25	- .38	- 1.5	24.75	24.25	24.75	11.38	6,575	6.11	8.76	- 30.3	NE	.00	.0	.....	fiscal	12-86	NC	NC	(164.6)	NE	(13.20)	NE	1327.1	- 35.5	(164.0)	NE	(15.24)	NE
Am Consum Prods ..... M	10.50	.00	.0	10.50	10.00	10.50	8.50	421	2.19	1.97	11.2	19.4	.00	.0	.....	fiscal	12-86	9.2	13.6	.2	100.0	(.01)	- 100.0	35.0	12.9	.7	133.3	.54	68.8
Am Standard ..... N	41.25	- 8.25	- 16.7	49.88	39.38	51.88	36.00	5,309	1.59	1.26	26.2	7.8	1.60	3.9	.....	fiscal	12-86	769.7	- .6	33.0	- 9.1	.99	7.6	2997.7	2.9	193.2	58.2	5.28	70.3
Am Woodmark ..... M	15.75	- .75	- 4.5	17.00	15.75	17.13	10.00	338	.49	.85	- 42.4	15.4	.00	.0	.....	9 mos.	01-87	26.2	7.4	1.2	9.1	.16	- 30.4	86.5	18.5	5.3	60.6	.79	17.9
Armstrng Wrld ..... N	36.38	- 5.00	- 12.1	41.88	33.25	44.00	24.88	12,734	2.64	1.13	133.6	14.3	.84	2.3	.....	fiscal	12-86	496.4	16.5	30.1	33.2	.63	34.0	1920.3	14.4	122.4	21.3	2.54	21.0
Black & Decker ..... N	19.38	- .38	- 1.9	20.38	18.50	25.25	14.50	26,020	4.48	2.87	56.1	42.1	.40	2.1	.....	3 mos.	12-86	529.0	1.4	22.4	7.2	.38	- 7.3	529.0	1.4	22.4	7.2	.38	- 7.3
Boise Cascade ..... N	76.75	- 7.50	- 8.9	86.88	75.00	86.88	51.50	11,958	4.10	2.67	53.6	23.1	1.90	2.5	.....	fiscal	12-86	952.0	6.6	31.9	67.9	1.04	70.5	3740.0	.1	101.5	- 2.7	3.32	- 3.8
Certain-teed ..... N	35.00	- 3.25	- 8.5	38.88	35.00	38.88	24.63	4,187	2.21	.74	198.6	10.8	.90	2.6	NEW	3 mos.	03-87	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl ..... N	37.75	- 4.38	- 10.4	43.50	36.75	43.50	22.50	43,784	4.65	2.71	71.6	18.1	.64	1.7	.....	fiscal	12-86	1058.0	- 11.4	64.5	69.3	.69	86.5	4387.6	- 24.0	200.8	23.1	2.08	30.8
DeSoto Inc ..... N	40.25	1.25	3.2	40.25	38.75	43.75	34.25	491	1.02	.63	61.9	49.1	1.40	3.5	.....	fiscal	12-86	77.8	3.0	.4	- 86.2	.09	- 85.0	413.8	2.0	3.9	- 72.5	.82	- 72.4
Emhart Corp ..... N	39.00	- 1.63	- 4.0	40.63	37.38	43.25	30.75	5,976	1.93	.88	119.3	NE	1.40	3.6	.....	fiscal	12-86	583.9	20.4	23.4	16.4	.66	- 9.6	2094.0	17.9	(10.0)	- 100.0	(.32)	- 100.0
Georgia-Pacifc ..... N	46.75	- 4.00	- 7.9	52.38	44.25	52.75	28.00	56,890	5.30	2.32	128.4	14.8	1.00	2.1	NEW	3 mos.	03-87	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Insilco Corp ..... N	23.88	.13	.5	23.88	23.00	26.25	17.38	3,830	1.84	1.98	- 7.1	15.1	1.00b	4.2	.....	fiscal	12-86	172.2	- 1.4	8.0	122.2	.44	175.0	745.1	- 8.2	33.3	27.6	1.58	21.5
La Pacific ..... N	35.75	- 2.63	- 6.8	39.63	34.13	39.63	22.09	14,038	3.70	2.71	36.5	20.2	.80b	2.2	.....	fiscal	12-86	382.2	22.3	16.8	147.1	.45	150.0	1506.2	19.5	64.9	154.5	1.72	152.9
Macmillan Bloedel ..... M	20.38	- .88	- 4.1	22.38	19.25	22.38	7.16	33,212	3.56	1.16	206.9	NA	.42	NA	.....	fiscal	12-86	542.2	- 9.9	23.3	14.2	.16	6.7	2511.7	7.5	133.3	210.7	1.07	494.4
Manville Cp ..... N	2.75	.38	15.8	2.75	2.38	7.38	1.63	8,627	3.59	2.75	30.5	1.2	.00	.0	.....	fiscal	12-86	463.1	- 2.4	17.3	- 17.2	.46	- 24.6	1920.3	2.1	81.2	NE	2.34	NE
Masco Corp ..... N	34.75	- 5.25	- 13.1	40.63	32.00	40.88	23.50	26,925	2.08	.89	133.7	22.3	.36	1.0	.....	fiscal	12-86	450.0	- 36.2	55.4	- 60.8	.41	- 42.3	1452.0	25.8	203.4	23.6	1.56	21.9
Mor-Flo Inds ..... M	13.00	.00	.0	13.50	13.00	17.88	12.00	43	.17	.22	- 22.7	40.6	.01	.1	.....	fiscal	12-86	47.3	- 10.4	(1.0)	- 100.0	(.38)	- 100.0	195.2	- 5.2	.8	- 81.0	.32	- 80.6
Newell Co ..... N	36.38	- .63	- 1.7	39.75	35.50	39.75	24.00	1,853	1.62	.86	88.4	16.8	.84	2.3	.....	fiscal	12-86	105.5	9.2	7.4	34.5	.63	3.3	401.4	14.7	24.0	27.0	2.17	3.8
Owens Corn ..... N	27.00	1.38	5.4	27.75	23.75	30.88	8.88	19,898	5.31	4.94	7.5	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	15.50	- 1.38	- 8.1	17.13	14.75	18.13	10.00	1,917	2.39	1.75	36.6	16.8	.12	.8	.....	fiscal	12-86	57.5	32.2	2.1	90.9	.20	33.3	226.4	36.0	8.1	92.9	.92	39.4
Pope & Talbot ..... N	40.38	- .25	- .6	43.25	38.50	43.50	17.75	3,986	6.64	3.31	100.6	15.4	.88	2.2	.....	fiscal	12-86	81.9	9.3	8.4	1300.0	1.40	1300.0	310.2	- 4.6	15.8	135.8	2.63	136.9
Potlatch Cp ..... N	76.00	- 5.50	- 6.7	81.75	72.25	83.75	44.50	2,594	1.95	1.16	68.1	15.3	1.68	2.2	.....	fiscal	12-86	243.3	7.0	20.2	359.1	1.45	457.7	976.4	2.7	70.0	85.7	4.98	127.4
Sherwin-Wms ..... N	34.88	- 2.00	- 5.4	37.50	32.00	38.50	22.75	10,412	2.31	1.19	94.1	15.1	.56	1.6	.....	fiscal	12-86	350.5	- 32.3	29.2	158.4	.80	233.3	1552.9	- 29.2	106.0	42.1	2.31	42.6
SW Forest Ind ..... N	32.13	.00	.0	32.25	32.00	32.25	11.88	2,469	2.01	8.12	- 75.2	NE	.00	.0	.....	fiscal	12-86	169.9	.4	5.7	NE	.57	NE	631.5	- 9.8	(1.7)	NE	(.62)	NE
Stanley Works ..... N	31.00	- 3.13	- 9.2	35.38	28.00	35.38	23.19	6,110	1.47	1.17	25.6	16.7	.76	2.5	.....	fiscal	12-86	256.2	- 20.5	23.5	- 8.6	.54	- 12.9	1371.3	13.5	78.8	.6	1.86	- 2.1
Thos Inds ..... N	20.63	- 1.00	- 4.6	22.00	20.00	22.63	15.50	1,213	1.22	.65	87.7	16.0	.68b	3.3	.....	fiscal	12-86	75.6	- 2.6	3.2	- 23.8	.32	- 23.8	296.2	- 4.3	12.8	- 21.0	1.29	- 21.8
USG Corp ..... N	36.88	- 4.88	- 11.7	42.50	36.75	46.50	32.00	13,212	2.08	1.12	85.7	10.4	1.12	3.0	NEW	fiscal	12-86	695.1	9.4	56.5	4.8	.93	13.4	2723.7	7.8	225.5	.8	3.54	5.4
Walter, Jim ..... N	51.38	- 7.50	- 12.7	59.88	49.63	62.25	39.50	10,499	3.31	1.37	141.6	9.8	1.40	2.7	.....	6 mos.	02-87	513.5	- .7	28.0	53.0	.86	230.8	1109.4	2.8	65.9	31.8	2.03	43.0
Waxman Ind ..... M	10.13	- .75	- 6.9	11.25	10.13	13.25	6.34	1,173	1.86	1.90	- 2.1	12.7	.08	.8	.....	6 mos.	12-86	27.0	15.9	.8	60.0	.01	- 94.1	53.7	19.9	1.6	45.5	.25	- 28.6
Weyerhaeuser ..... N	56.00	- .50	- .9	60.00	53.50	60.00	30.50	45,075	3.45	2.12	62.7	29.3	1.30	2.3	.....	fiscal	12-86	1450.6	17.2	96.1	51.1	.70	62.8	5652.0	8.6	276.7	38.3	1.91	44.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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Home Center News®

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G-P proposes U.S. Plywood acquisition

By an NHCN staff editor

ATLANTA — Georgia-Pacific's board of directors has approved a proposal to buy U.S. Plywood, the Stamford, Conn.-based forest products producer and distributor.

The board's proposal called for acquiring U.S. Plywood's preferred and common stock for $215 million in cash.

Jack Armstrong, executive vp at U.S. Plywood, declined to discuss the deal, arguing that negotiations were still in their early stages.

G-P also declined to outline how U.S. Plywood would be incorporated into the operation. But Gail Smith, a corporate spokesperson for the nation's second largest forest products producer, said G-P was primarily attracted to U.S. Plywood's industrial wood product operations and

(Continued on page 76)

Census II shows wholesale co-op's sales up 11.4%

The data collected by *NHCN* reveals that:

- The top 17 wholesale co-ops saw sales increase 11.4 percent to $7.365 billion. Stores they distribute to declined by 16 to 25,355.
- California, Texas and Florida will rank first, second and third in the retail sale of building materials in 1987. California total is projected at $10 billion, and Los Angeles-Long Beach will lead the nation with building materials sales that exceed 36 states.
- The 14 leading commodities wholesalers had sales of $10.2 billion from 484 warehouses last year.
- Home remodeling grew by 15.9 percent to $92.9 billion last year and should grow another 11 percent to $102 billion in 1987.
- Structural panel production grew 5 percent to more than 25 billion board feet.

Diamond gets $18M cash infusion after filing Ch. 11

By Laura Liebeck
NHCN staff editor

CARROLLTON, Tex. — Six days after Diamond Lumber filed for Chapter 11 protection from its creditors, the company got a cash infusion of $18 million from its major lender, CIT Business Credit, providing the 66-unit chain with enough money to order merchandise and pay cash before delivery.

Diamond and its parent company Michigan General Corporation (MGC) sought protection from its creditors in U.S. Bankruptcy Court for the Northern District of Texas on April 22, approximately one week after CIT refused to lend the company any more money. It was at that time that many of Diamond's creditors ceased shipping product.

"We're back in business," said an optimistic Jerold Grubstein, president and ceo of MGC who was recently brought on board from Zale Corporation. He said Diamond is now paying its vendors for newly ordered merchandise "in varying ways" including terms, cash on delivery and cash before delivery.

Diamond owes $55.5 million in secured debt to CIT, a division of Manufacturers Hanover Trust, $45 million of which is in revolving credit.

Over the next two months, Diamond

(Continued on page 76)

Diamond Lumber's 20 Largest Unsecured Trade Creditors

As of April 16, 1987

Company Name	Amount of Claim
Weyerhaeuser*	$705,639.71
Georgia-Pacific*	374,089.10
I.C.L.*	292,265.05
Lozier Store Fixtures*	261,988.93
CertainTeed*	197,676.17
Marsh & McClennan*	189,098.92
Hartronic Taiwan	169,755.86
Dennis Jamieson	169,755.86
Portbec Forest Products Ltd.	151,627.30
Makita U.S.A.	146,738.64
Jack Post	144,647.85
Sherwood Lumber	141,966.11
Peterson Howell & Heather	135,328.23
Circle "M" Wood Treating	126,664.55
Macklanburg-Duncan	122,365.08
GAF	113,632.31
Triangle Engineering	111,121.99
Jewett Cameron Lumber	106,158.69
Saxonville Wholesale	97,007.00
Pacific Steel & Supply	93,284.57
Other Unsecured Debt	
RepublicBank, Dallas*	$114,444,375.00
Chemical Bank, New York*	1,200,000.00

*member of creditor's committee

Source: Diamond Lumber's Voluntary Petition Under Chapter 11. April 20, 1987; *NHCN* chart

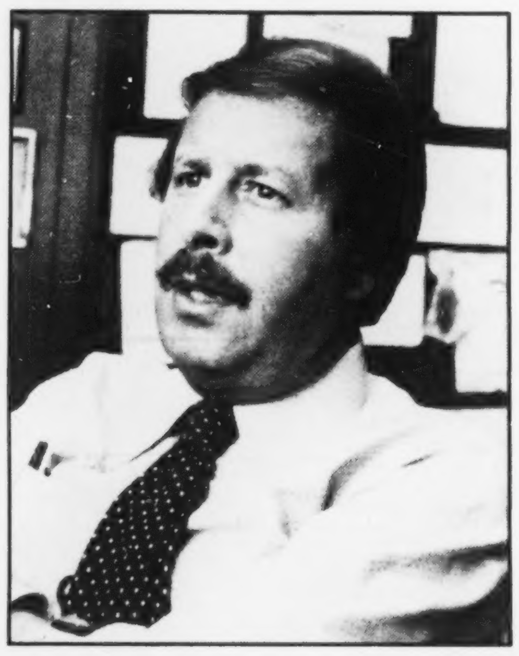
Rickel pres. one of six in mgmt. LBO

By Milford Prewitt
NHCN staff editor

WOODBRIDGE, N.J. — Chuck Davis, president and ceo of Rickel Home Centers, is one of the six partners in a management investor group that will buy Rickel's parent, Supermarkets General Corporation (SGC), through a leveraged buyout.

According to tender offer documents filed with the Securities and Exchange Commission (SEC), Davis and five senior executives of SGC are backed by Merrill Lynch Capital Partners in a $1.5 billion bid to buy the Woodbridge,

(Continued on page 75)



Chuck Davis, president and ceo of Rickel Home Centers.
NHCN photo

Dealers check out high-profit impulse items

By Ariane Sains
Special to NHCN

From gum and screwdrivers to batteries and gardening supplies, home centers are discovering the importance of selling impulse items at the checkout counter.

"That's the only way to increase sales," says Robert Sanchez, vp-purchasing for Hacienda Home Centers Inc.

The six-unit, New Mexico-based Hacienda plans to increase impulse items storewide a whopping 80 percent this year. The majority of that merchandise will displayed at the cash registers.

This kind of increase in impulse merchandise may seem extreme to some, but it is indicative of how the marketing of these items has evolved in recent years.

Cash register impulse items vary as widely as the stores that sell them, and what works for one retailer does not necessarily work for another.

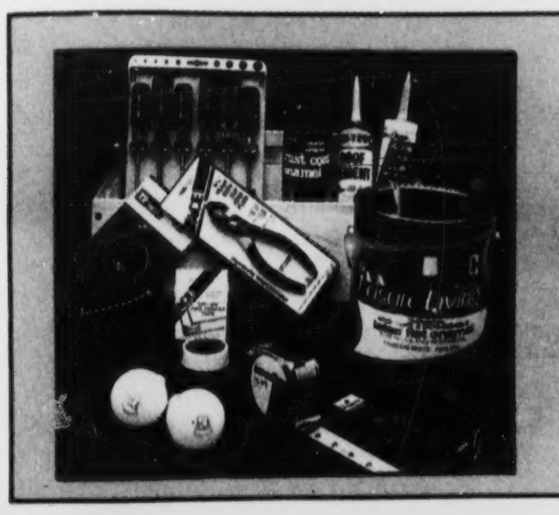
But certain staple impulse items include batteries, tapes, light bulbs and seasonal items like small gardening supplies at this time of year.

Some retailers cross merchandise register impulse items, offering them in the aisles as well. Others say

(Continued on page 76)

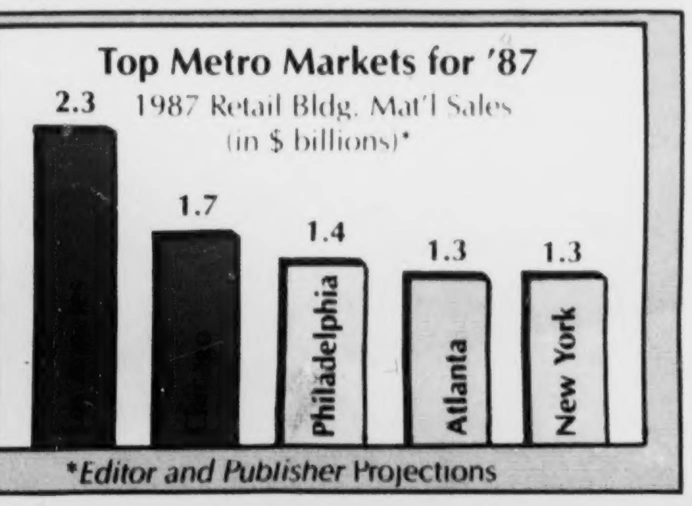
Six-unit, New Mexico-based Hacienda Home Centers plans to increase its selection of impulse items 80 percent storewide. Pictured is the Las Vegas, N.M., unit.
NHCN photo

INSIDE



The *NHCN* Annual Report on the Home Center Industry Part Two

The top five markets for retail building materials sales, led by the Los Angeles-Long Beach area, will generate $8 billion in 1987, or about 9 percent of the $90 billion nationwide total. LA's sales could exceed those of 36 states.



NEWSBREAKS

BIG B&B: Eclipse Industries opened its largest B&B Home Center in late April, a 60,000-square-foot unit in St. Ann, Mo.

COTTER ANNOUNCES THIRD MARKET IN FLA.: The nation's largest co-op will hold its first buyers' market specifically for its lumber and building material dealers in January 1988.

STAMBAUGH-THOMPSON OPENS 21ST STORE: The Youngstown, Ohio, chain opened the 55,000-square-foot unit on May 5, in Boardman, Ohio.

INDUSTRY UPDATE

Smart house to debut in April

BOWIE, Md. — Early next month the first laboratory smart house will be completed, the National Association of Home Builders (NAHB) announced last month.

Construction of the gas smart house began on April 14 here, co-sponsored by the Gas Research Institute of Chicago, the NAHB and smart house Development Venture, Inc. (SHDVI).

Smart house is a system for residential wiring that distributes power, signal information and data communication through a single cable.

Price-Pfister offers public stock

PACOIMA, Calif. — Price-Pfister, a faucet manufacturer here, plans to offer two million shares of its common stock for public sale, with the intention of raising $30 million.

This stock offering would represent 18 percent of the total number of shares Price-Pfister intends to issue, with the remaining 82 percent to be retained by present shareholders.

Builders Sq. death an accident

WHEATON, Ill. — A coroner's jury ruled the death of a 23-month-old boy at a Builders Square in Aurora, Ill., an accident.

A spokeswoman for the DuPage County (Ill.) Coroner's Office in Wheaton, Ill., said a six-person jury ruled April 30 that the child, Alex Grabenhofer of Wheaton, died March 7 of traumatic spinal cord/brain stem injuries.

The spokeswoman said the inquest determined a six to seven-inch-high row of 2 x 4 boards fell over, hitting the child's legs and causing him to fall forward. The fall caused Grabenhofer's chin to hit the floor, snapped his neck back and caused the fatal injuries.

Aurora police classified the death as accidental. The boy's father, Frank Grabenhofer, said he planned no further action.

Nortek acquires Bradford-White

PROVIDENCE, R.I. — Nortek, a diversified Fortune 500 company, acquired Bradford-White, a manufacturer of gas and electric water heaters, on May 5 for more than $25 million.

Nortek spokesman Kenneth L. Donoghue said Bradford-White, headquartered in Philadelphia, will operate as a wholly owned subsidiary of the Providence-based company. Bradford-White's management team will remain in place, he added.

Bradford-White posted 1986 sales of nearly $100 million. Nortek, recorded 1986 sales of $963 million.

Canadian show changes name

TORONTO — The Canadian Hardware, Housewares & Home Improvement Show has changed its name and logo, and will undergo a major facelift, said Tom Ross, executive director.

Spokesperson Dianne Warnick said that the most obvious change will be a cosmetic facelifting from the graphics on printed material to the registration area in the front lobby.

In addition, there is a new logo and a broad schedule of improvements, said Ross.

Home center stocks slip

NEW YORK — Home center stocks slipped in the two-week period ended May 1, as the prices for 31 companies declined, 21 increased in value and three remained unchanged.

Michigan General showed the biggest drop of 18.2 percent, following its filing for Chapter 11 in late April. Among retailers, Wickes' and Lowe's stock fell 10.3 percent.

CertainTeed and Black & Decker were big gainers, as was Supermarkets General after news of a leveraged buyout by key management.

See financial tables, page 74.

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Pittsburgh bldg. materials chain purchases 11 specialty retailers

By an NHCN staff editor

VERONA, Pa. — Fagen's, the chain of 12 building materials stores in the Pittsburgh area, purchased eight Color Your World and three Peerless Wallpaper stores from Color Tile on April 28, for an undisclosed amount.

"We're attempting to diversify into more specialty retailing," explained Jack Fagen, president of the acquiring firm. "We see it as a growth opportunity."

Fagen's 1986 revenues came to $42 million, some 35 percent of which was from consumer transactions.

The new units, all in the Pittsburgh market, are expected to add $6 million to Fagen's annual revenues.

The new stores will be operated as a subsidiary company. Joseph Rieherd, formerly divisional manager for the Eastern region at Color Your World, will be president and chief operating officer of the new company, the name for which has not yet been determined.

Fagen will serve as chairman of the board and chief executive officer of the new firm.

Whether all of the stores will operate under their current names, or under new names, has not yet been determined.

Acquisitions likely

Fagen emphasized his company would continue to operate its 12 building materials outlets, and also noted that he may well make some "substantial" acquisitions in that area over the coming year. Such acquisitions are not likely be in the Pittsburgh market, however.

Fagen also said he wanted to expand the specialty store segment of his operations, and that over the next year he would likely add four or five stores to that group.

Merchandise in the newly acquired units will be expanded to include departments for such items as window blinds, window treatments and closet shelving, said Fagen.

None of the merchandise categories in the new stores will be added to the old Fagen's units.

Lloyd hopes to rebound from 2-yr. loss

By an NHCN staff editor

DANBURY, Conn. — Eroding gross margins and too much emphasis on low-margin merchandise last year contributed to an operating loss of $5.6 million at Lloyd Home and Building Centers, according to two company executives and the 1986 annual report of Amercian Maize-Products Co., Lloyd's parent firm.

The 1986 operating loss nearly doubled the $2.872 million loss recorded in 1985. But while income declined, sales rose 5 percent to $105.3 million in 1986, reported American Maize, Stamford, Conn.

Last year was the third consecutive year of operating losses for Lloyd, the 34-unit home center retailer headquartered here.

Despite the losses, both Lloyd president Tom Cawley and Alan Edly, vp-finance for American Maize, are optimistic about sales and profits for 1987.

As far as Cawley—who became president last February—is concerned, "1986 is over. Now we're right on budget right down to the bottom line."

Edly told *NHCN* that American Maize is confident Lloyd "can be turned around." He added that it is "very possible" Lloyd will be profitable this year. "It can do better," he said.

He declined to say whether Lloyd can get into the "black" this year. And Edly said American Maize has not given Lloyd executives a timetable in which to become profitable.

Edly did say that both he and American Maize executives are confident in Cawley's business acumen and in the entire management team now running the Lloyd operation.

Profitable 2 out of last 7 yrs.

American Maize acquired Lloyd in August 1979, a profitable year for the home improvement retailer. Since then, Lloyd has had only two other profitable years, 1980 and 1983, Edly reported.

Lloyd also has had several different presidents and operating strategies.

Lloyd, known at American Maize as the company's building materials division, comprised 20.66 percent of the parent's net sales last year. American's largest segment, corn processing, amounted to 57.7 percent of total sales. Another 21.66 percent came from tobacco.

Between 1985 and 1986 gross margins declined and operating expenses increased at Lloyd. In addition, the company had what it called an "adverse product mix," or too much merchandise in low margin items such as building materials, Cawley said.

(Continued on page 75)

Filing shows Handy Andy paid $48M for Forest City

By an NHCN staff editor

CLEVELAND — Handy Andy is paying over $47.8 million for the assets of the retail division of Forest City Enterprises, according to documents filed last month with the SEC.

The total price included $10 million in cash and $18.8 million in promissory notes for the inventory of all 18 stores and all three warehouses. An additional $7 million to $10 million will be paid for the inventory after a final assessment has been made.

The warehouses are located in Kent and Macedonia, Ohio, and Windsor, Ontario.

Handy Andy has also delivered a note in the amount of $12 million for the fixtures and equipment of the stores.

Handy Andy does not plan to purchase any of the land or buildings of the stores or warehouses.

Forest City is leasing 17 of the stores to Handy Andy. The 18th store, a unit in Cleveland, will be managed by Handy Andy.

The retail division had revenues of $119.8 million for the nine months ended Oct. 31, 1986. Operating income of $1.1 million and net income of $600,000 were achieved for that period, according to the documents.

Forest City Retail At A Glance
(9 Months Ended 10/31/86)
($ Million)

Sales	$119.8
Interest income	1.9
Total Income	121.6
Cost of goods sold	83.5
(Gross margin: 30.3%)	
SG&A	35.8
Interest expense	1.2
Total expense	120.5
Earnings from continuing operations	1.1
Income tax	0.6
Net income	0.6

Numbers do not add due to rounding.

Source: SEC *NHCN* chart

For the first nine months of 1986, Forest City's retail stores earned $1.1 million in pre-tax income on revenues of $121.6 million.

The Forest City retail stores have had a history of struggling to achieve a level of profitability comparable with other home center chains. Net earnings have been running at less than one percent of sales.

In 1985, for example, the retail chain achieved $1.4 million in operating income on revenues of $159.3 million, according to the new SEC document.

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Six openings in one day make 'history'

New stores entrench Aco in Michigan market

Aco chairman Ted Traskos at one of the six grand openings. The firm plans to open nine more units in 1988. NHCN photo.

By Gary S. Ruderman
NHCN staff editor

FARMINGTON HILLS, Mich. — Aco Hardware, the 53-unit privately-owned Michigan chain, made industry history last month by opening six stores simultaneously.

The April 23 grand openings in Redford, Clio, Port Huron, Inkster and two units in Battle Creek, Mich., are part of Aco's ongoing plan to grow 15 percent a year. The openings boosted the store count to 59, up from 47 units last year. By the end of 1987, Aco should have 62 stores. The firm anticipates opening nine more units in 1988, according to William Aiken, ceo and vice chairman.

New warehouse, stock plan

Aco chairman and founder Theodore N. Traskos said National Retail Hardware Association (NRHA) officials informed him it was the most grand openings of a hardware chain in one day. The stores had soft openings a few weeks earlier, Traskos said.

In addition to the openings, Aco officials:

- Broke ground April 21 in Farmington Hills, Mich., for a $2.5 million, 45,000-square-foot distribution center. Scheduled for completion by year end, the new warehouse will boost to 18 from 10 the number of loading docks and increase Aco's warehousing space to more than 170,000-square-feet at its suburban Detroit headquarters;
- Announced the chain's most extensive ad campaign. Aco will spend an estimated $1.5 million in co-op and internal funds for 10 weeks of print, TV, radio, billboard and expanded circular ads, including a $40,000 sweepstakes;
- Caught employees off-guard with announcement of the first employee stock ownership plan in the company's 39-year history.

Aco's strategy in the Detroit and 14 other Michigan communities is to blanket the areas with 15,000-square-foot anchor stores and 8,000-square-foot to 10,000-square-foot fill-in units, with both stores stocking 18,000 items.

Narrowing price gap

The stores bring in between $1.5 million and $3 million a year, a spokesman said.

Aco's posture is one of convenience, meeting or beating nearby home center and hardware prices on a range of hardware, paint, tools, plumbing, electrical, auto, lawn and garden and housewares products.

"We're narrowing the gap between everyday pricing and promotional pricing," said Dennis Da Pra, vp-merchandising, "without affecting margins," which last year averaged 37 percent, senior officials said.

Last year Aco posted $82 million in sales with net profit of $1.7 million, slightly less than the $90 million in sales

(Continued on page 76)

U.S.' 100 millionth home is 'somewhere in South'

By Laura Liebeck
NHCN staff editor

NATIONAL REPORT — As of March 31, the nation had 100 million houses. Sort of. And the 100 millionth house was built in the South. Maybe.

According to the Commerce Department, the 100 millionth housing unit was built somewhere in the southern U.S. sometime during the first quarter of the year. The South is the likely location because of the region's large population increases.

Exactly when the unit was built and where it is are guesses, admits Jack Devaney, senior analyst with the Commerce Department's housing division. He explained that sometime last year the department realized that the country would record its 100 millionth housing unit early in 1987.

The calculation of when homes went up dates from 1790, when Devaney estimates there were 700,000 homes in the U.S. The department said the 25 million milestone was reached in 1917, 50 million in 1953 and 75 million in 1973.

Following the pattern established from 1973 to 1987, the 200 millionth housing unit should be built in 2043. But that's only a guess, Devaney said.

The unofficial, estimated value of the 100 million housing units is between $5 trillion and $6 trillion.

To commemorate, the National Association of Home Builders (NAHB) somewhat arbitrarily designated the 100 millionth home to be a three-bedroom in suburban Atlanta.

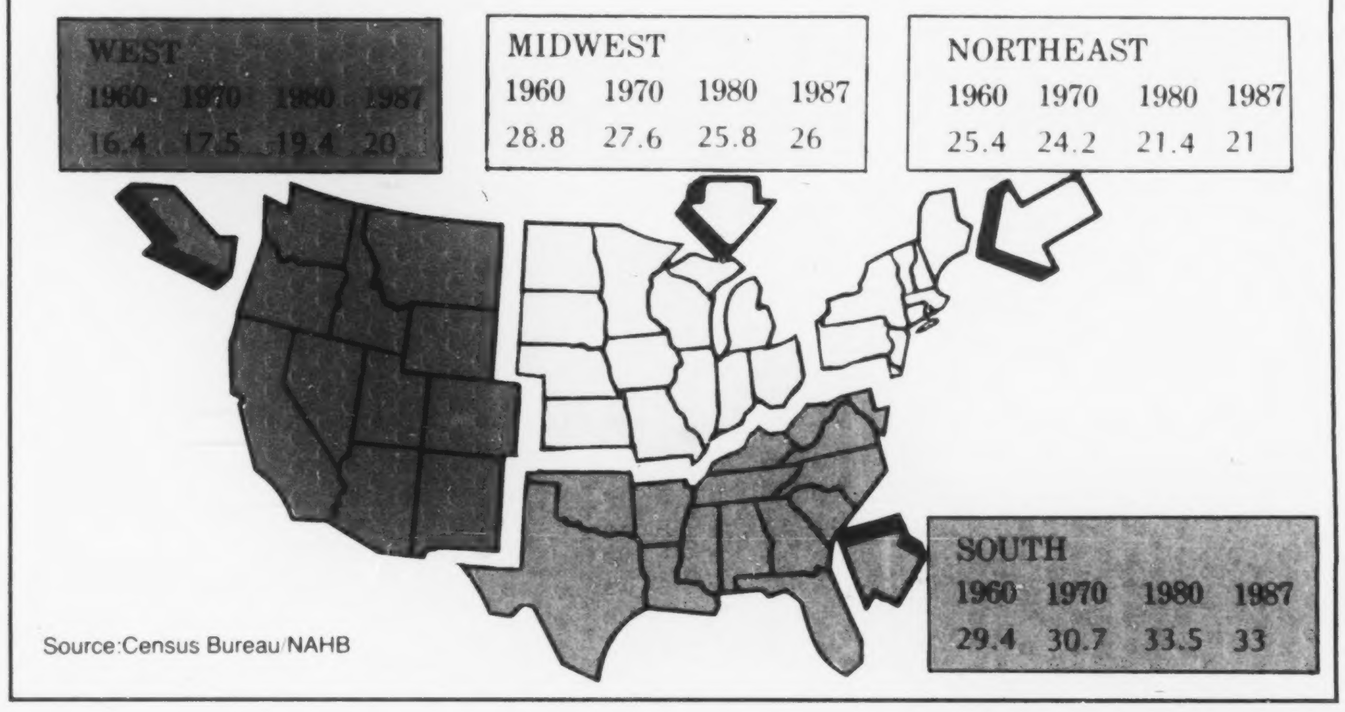
The 1,850-square-foot ranch in Lawrenceville, Ga. was purchased by Bryan and Deborah Campbell, trade-up buyers in their late 20's, for $98,000, $1,700 more than the market's median-priced new home in Feb.

Campbell is a trucking manager. He and his wife have an 18-month-old daughter, Sara. The Campbells closed on the house March 31, and will be making monthly mortgage payments of $871.

When the Campbells learned that their new house was destined for posterity, "we just looked at each other and laughed," said Deborah. When she was contacted by *NHCN*, photographers from Whirlpool were shooting their kitchen.

Where the homes are

Map shows where percentage of all homes in U.S. were located in 1960, 1970 and 1980. Figures for 1987 are first-quarter projections



Source:Census Bureau/NAHB

Euro/American hybrids make waves at K&B show

By Phillip Perry
NHCN staff editor

ATLANTA — Retailers attending the recent Kitchen and Bath Conference at the World Congress Center have become accustomed to seeing European styles make headway in both categories

New this year was the attempt by many American vendors to show hybrids of American and European styles.

"We're seeing European appointments with American cabinetry," noted William Plotkin, president of Fairfield Lumber, a $40 million retailer in Fairfield, Conn.

Perhaps the most dramatic evidence of this trend was seen at the SieMatic Corp. booth. The cabinetmaker displayed particleboard cabinets with traditional raised panels, covered with European-style white, high-gloss finish.

Other vendors were making similar moves, apparently wooing a public that desires the traditional look for sentimental reasons, but also wants the Euro style to show a higher standard of living.

Wilsonart, a maker of laminated products, displayed a variety of sleek European designs for the first time. Booth signs promoted "Eur-Own-Style," an indication that the Euro look has come home.

Kohler introduced new pastel colors and European-style sinks with faucets that Americans are accustomed to. J-Wood, a cabinetmaker, displayed European sinks with traditional cabinets.

Not all vendors jumped on the bandwagon. Merrillat showed a traditional cherry, raised panel cabinet for the first time and had no displays combining the two styles.

An estimated 23,000 to 25,000 attended the show, down from 28,000 last year. Last year's show was held in Philadelphia and attracted many drive-in retailers.

The show drew more home center people than ever, a reflection of the importance home centers place on K&B.

Bruce Feinstein, vp merchandising of Eclipse Industries in St. Louis, walked the floor. The trend to combine styles might help Eclipse, since mid-America has not fully accepted the sleek styles.

"There's still some resistance to the contemporary look in our markets," he said.

In April Eclipse opened a 60,000-square-foot store near St. Louis. Four of 26 kitchen displays were contemporary.

Francis Jones, executive director of the National Kitchen and Bath Assoc., said his group will sponsor a series of shows for consumers. The pilot "Great American Kitchen & Bath Show," is scheduled for the Cleveland Convention Center Sept. 18-20. The NKBA will give booklets to retailers who want to host shows in smaller markets.

Corrections

A story in the May 4 issue incorrectly stated the store count for Franks Nursery and Crafts. The company has 167 stores of which 26 are Flower Time units.

In the May 4 issue the story on Pergament's refurbished Bethpage, N.Y., store stated Oriental rugs were in the paint department. The Oriental rugs are part of a greatly expanded flooring department located adjacent to paint.

An article in the April 20 issue incorrectly stated that only three product categories would be represented at the housewares show next January. The show will include three categories per hall, or all six product categories.

Strong advertising, warm spring spur L&G sales

By an NHCN staff editor

NATIONAL REPORT — Warm weather and aggressive advertising combined to create strong spring sales of lawn and garden products, according to home center dealers across the country.

Most said sales have increased between 10 and 20 percent compared to last year.

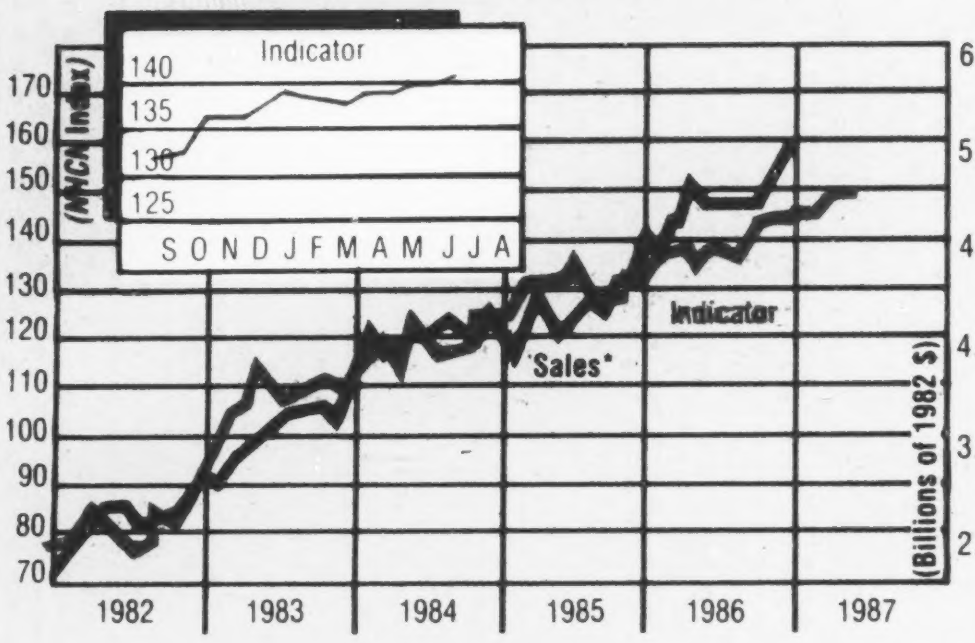
And a good portion of this business in the spring has come from the promotion of higher-quality merchandise.

In fact, many of the chains contacted said they are relying on advertising, rather than stepped-up discount programs, to attract customers.

"I think the growth of lawn and garden sales can be attributed to two forces: advertising and product improvement," said Jay Mitchell, director of public relations for 84 Lumber, the 373-unit chain based in Eighty-Four, Pa. "Whatever the job, there are products that make it easier and more cost-effective. And better advertising has brought this to

(Continued on page 75)

NHCN Leading Sales Indicator



The NHCN *Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong at the end of 1986, although they fell in January. In the last two months, resales rebounded from the January lull.*

Rebound in resale prices spurs building materials sales

By Richard E. Mount
Special to NHCN

The 11 percent increase in building material sales, 6 percent in unit volume, that we expect for 1987 will be fueled in part by the rebound in existing home prices that has taken place since 1982.

Background

In 1979, rising inflation drove existing home prices up almost 18 percent on a year-over-year basis. Construction materials were scarce and rising in price. Foreign investors were buying farm land, increasing the price of building lots. Demand for resales, in particular, was at a peak. Fears of future inflation made housing a hedge against price increase and buy-now to beat future price increases was a growing cry. Realtors who preached "buy the largest house you can afford " made customers happier and wealthier.

Richard E. Mount

By the end of the last recession, 1982, the median price of existing homes was rising only one percent from a year earlier. High interest rates and a weak economy sent housing to postwar lows and sellers of existing homes had to keep their prices in check.

In 1986, resale prices were running six percent ahead of the prior year. The boom in the Northeast housing market more than offset the softness in the energy patch.

(Continued on page 17)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1986				1987						
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		124.7	127.9	132.1	137.1	138.6	140.2	143.4	142.8	118.5	130.4	141.3
General Economic Outlook												
	GNP $1982 Billion	3,655.9	3,661.4	3,686.4	3,696.1	3,735.2	3;741.7	3,761.4	3,779.27	3,585.2	3,675.0	3,754.4
	Real Disposable Income $1982 Bil.	2,581.2	2,625.8	2,605.5	2,593.4	2,620.9	2,629.9	2,645.9	2,659.3	2,528.0	2,602.0	2,639.0
	Housing Permits (000 SAAR)	1,834	1,822	1,678	1,695	1,737	1,610	1,650	1,675	1,733	1,762	1,668
	Housing Starts (000 SAAR)	1,938	1,878	1,758	1,702	1,808	1,740	1,720	1,700	1,742	1,806	1,742
	New Home Sales (000 SAAR)	789	794	686	711	711	715	735	750	688	749	728
	Resales (000 SAAR)	3,290	3,477	3,587	3,890	3,475	3,500	3,500	3,525	3,214	3,565	3,500
	Prime Rate %	9.4	8.6	7.9	7.5	7.5	7.9	8.0	8.0	9.9	8.4	7.9
	Mortgage Rate % (HUD)	10.8	10.1	10.2	9.7	9.1	9.1	9.0	9.4	12.5	10.2	9.2
	Consumer Price Index (1967 = 100)	327.7	326.3	328.4	330.7	334.6	337.9	341.6	345.6	322.1	328.3	339.9
	Producer Price Index (1967 = 100)	292.1	288.5	288.2	290.1	292.0	294.8	298.2	301.4	293.9	289.7	296.6
	New Housing Affordability 1980-100)	128.6	129.4	126.1	127.8	131.4	133.4	132.6	133.9	117.6	128.0	132.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	91,800	84,000	88,907	90,140	93,474	96,292	99,299	101,438	80,267	88,712	97,626
	Maintenance and Repair	37,700	29,700	38,038	39,107	39,845	40,606	41,461	42,246	35,358	36,136	41,040
	Additions and Alterations	33,900	40,300	33,212	32,684	34,517	35,857	37,515	38,248	28,775	35,024	36,534
	Major Replacements	20,200	14,000	17,656	18,349	19,112	19,829	20,323	20,944	16,134	17,551	20,052
Constant	**Total Millions $1982 SAAR**	83,653	74,718	78,300	78,600	80,700	82,310	84,040	85,000	74,614	78,818	83,013
	Maintenance and Repair	34,355	26,418	33,500	34,100	34,400	34,710	35,090	35,400	32,864	32,093	34,900
	Additions and Alterations	30,892	35,847	29,250	28,500	29,800	30,650	31,750	32,050	26,791	31,122	31,063
	Major Replacements	18,408	12,453	15,550	16,000	16,500	16,950	17,200	17,550	14,959	15,603	17,050
Retail Trade Activity												
Current	**Total $ millions SAAR**	1,404,848	1,421,400	1,478,632	1,478,620	1,476,907	1,501,555	1,524,331	1,544,053	1,373,941	1,445,875	1,511,711
	Total Minus Automobile	1,094,680	1,098,912	1,112,548	1,123,804	1,135,907	1,155,925	1,177,322	1,191,303	1,061,148	1,107,486	1,165,114
	Building Material, Hardware, Garden Supply, Mobile Home	83,952	85,316	86,540	87,136	88,829	91,533	94,163	97,003	74,062	85,736	92,882
	Building Material and Supply	61,260	62,580	62,956	64,584	66,076	68,432	70,590	73,907	53,841	62,845	69,751
	Hardware	11,404	11,460	11,832	11,748	12,289	12,522	12,691	12,863	11,092	11,611	12,591
Constant	**Total Millions $1982 SAAR**	1,306,486	1,337,991	1,380,017	1,374,182	1,359,000	1,368,000	1,375,000	1,379,000	1,282,772	1,349,669	1,370,250
	Total Minus Automobile	1,026,722	1,048,913	1,054,219	1,059,193	1,060,000	1,068,000	1,077,000	1,079,000	997,299	1,047,262	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	78,808	82,347	82,367	81,208	81,966	83,625	85,176	86,876	70,215	81,183	84,411
	Building Material and Supply	57,497	60,401	59,924	60,190	60,790	62,150	63,475	65,800	51,035	59,503	63,054
	Hardware	10,706	11,063	11,262	10,949	11,340	11,440	11,480	11,520	10,507	10,995	11,445
	Building Materials % of Total Less Automobile ($Current)	5.60	5.69	5.66	5.75	5.82	5.92	6.00	6.20	5.07	5.67	5.99

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
May 18, 1967

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Rebound in resale prices to boost sales in 1987

(Continued from page 16)

Mortgage rates dropped in the first half of the year, and buyers traded up. The strength in new home prices, up nine percent in 1986, gave the resale market additional pricing flexibility. By the end of the year, the gap between new and existing home prices widened to $14,500 from $9,500 at the beginning of the year.

For 1987, resale prices are apt to be up only four to five percent from 1986. The reduction in marginal tax rates increases the after-tax cost of housing, and buyers will seek less expensive housing. Mortgage rates are on the rise again, and buyers will be more price sensitive as monthly mortgage payments increase. But, with the rise in resale prices that has already taken place, building material sales will continue to be strong.

The median resale price represents the middle of the market, half of the homes sold have higher prices, half lower. The median price is less than the average, which places a heavier emphasis on high home prices.

Impact on sales

The recent rise in resale prices will help to increase building material sales during 1987 and 1988.

The rise in price makes major improvements to existing homes more attractive. Adding an extra room to a $120,000 house is more practical than to an $80,000 house. Owners perceive more expensive homes as needing higher quality improvements and more frequent maintenance.

The new tax law permits the deduction of interest payments on home improvement loans. As people buy more expensive homes, they will be able to deduct larger loans for home improvements.

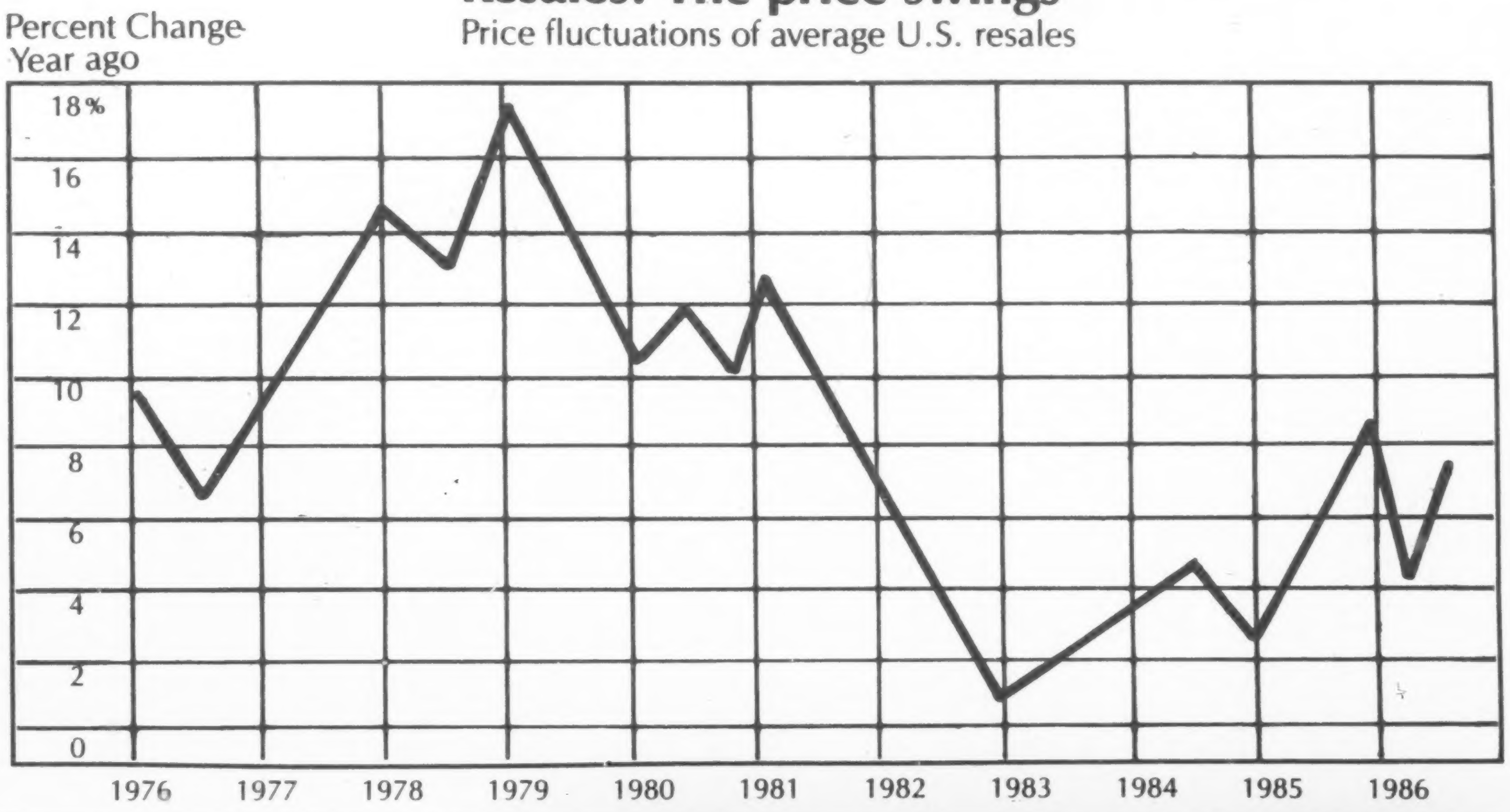
When selling an existing home, owners spend more for fix-up prior to sale if the home is more expensive. This is especially true of older homes surrounded by newer and higher priced units.

Sales outlook

The ongoing increase in resale values will serve to increase building material sales 11 percent this year. While many analysts concentrate on resale units, interest rates and housing starts in assessing future building material sales, those stores in areas enjoying a rapid rise in existing home prices have a better outlook.

Resales: The price swings

Price fluctuations of average U.S. resales



Sabbeth Ind. buys Mass. wholesaler

By an NHCN staff editor

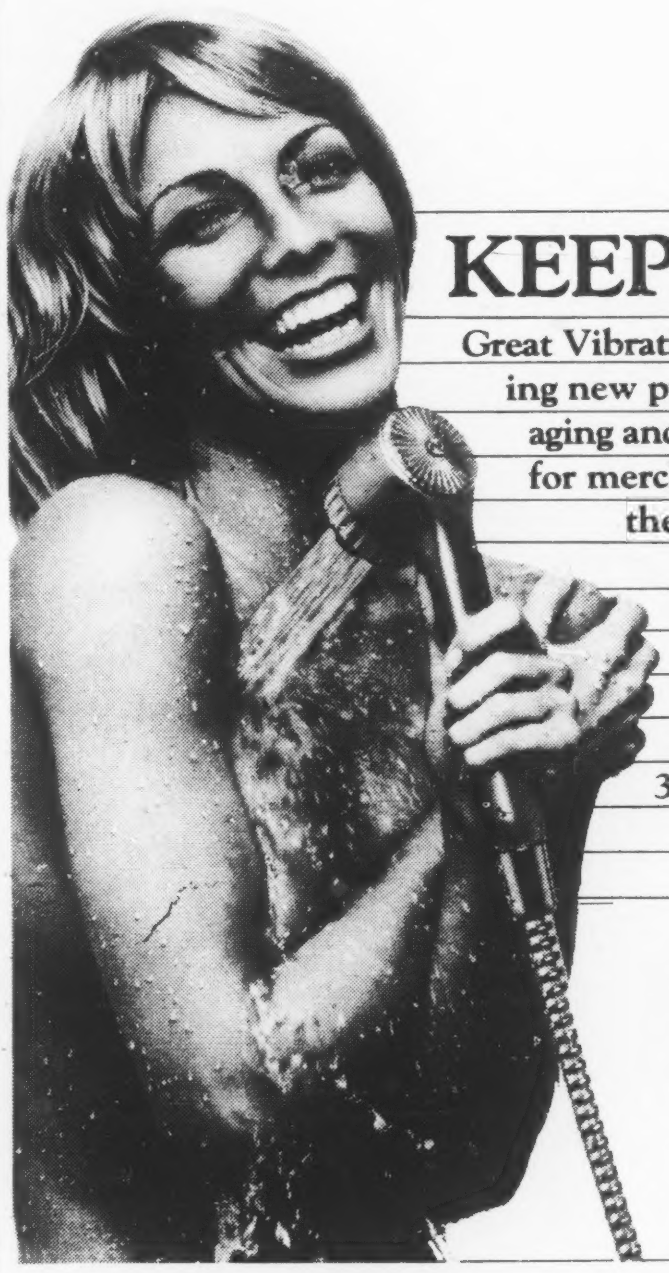
DEER PARK, N.Y. — Sabbeth Industries Ltd., the broad-based distributor of lumber and specialty lumber products, has purchased York Wholesale, a Haverhill, Mass.-based distributor, for an undisclosed sum.

Stephen Sabbeth, chairman of Sabbeth Industries, said York, which made about $15 million in sales in 1986, will operate as a wholly owned subsidiary and will concentrate on its existing New England market.

The division will be referred to as Sabbeth-York Ltd. henceforth and can tap into Sabbeth's inventory when needed.

Sabbeth Industries is one of the largest, family-owned wholesale lumber distributors in the nation.

It operates a network of sawmills, kiln operations, distribution yards and export divisions from New York to Missouri.



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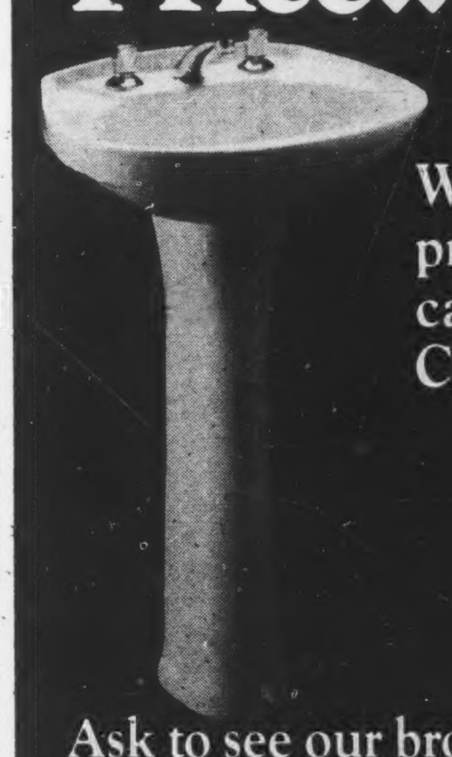

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